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# HUA GOUFENG, OTHER OFFICIALS ADDRESS FIFTH NPC

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YAO YILIN'S ECONOMIC REPORT AT 30 AUGUST NPC SESSION

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[Report by Yao Yilin, vice premier of the State Council and concurrently chairman of the State Planning Commission, on economic plans for 1980 and 1981 delivered at the Third Session of the Fifth NPC on 30 August 1980]

[Text] Beijing, 11 Sep--Deputies: Entrusted by the State Council, I will now make a report at this session on the arrangements for the economic plans for 1980 and 1981 for your review and discussion.

Regarding the arrangements for the 1980 economic plan, the State Council entrusted Comrade Li Renjun, deputy chairman of the State Planning Commission, to make a report to the 14th meeting of the NPC Standing Committee on 8 April this year. The 1980 economic plan is being carried out smoothly and the total industrial and agricultural output value plans are expected to be overfulfilled. Printed copies of this report have been distributed to all of you. Please review and discuss it. I will make no further explanations now. Since annual plans were prepared rather late in the past, thus making it inconvenient for all areas and departments to arrange their work at an early date, this year the State Council decided that the 1981 economic plan would be prepared ahead of time for submission to this session for review and discussion. After approval by this session, we will have all areas and departments formulate specific plans.

I will now concentrate on reporting on the implementation of the principle of readjustment, restructuring, consolidation and improvement since the beginning of 1979 and on the arrangements for the national economic plan for 1981.

I. Progress Has Been Made in the National Economy in the Course of Readjustment, Restructuring, Consolidation and Improvement.

The Second Session of the Fifth NPC called on the people of all nationalities of the country, under the leadership of the party and the government, to resolutely carry out the great strategic move to shift the focus of our work to the modernization drive and implement the principle of readjustment, restructuring, consolidation and improvement of the national economy. Thanks to the strenuous efforts made by the people of all nationalities over the past year and more, marked progress has been made in all fields of work in readjusting the national economy.

1. The Major Sectors of the National Economy Are Being Brought Into an Appropriate Relationship and Economic Growth Has Been Sustained.

Agriculture and light industry are developing at a faster pace and the ratio among agriculture, light industry and heavy industry has been improved. Since the 3d Plenary Session of the 11th CCP Central Committee, new rural policies have been put into effect. The state has been giving greater financial and material support to agriculture and has significantly raised the [state] purchase price for a number of major farm products and reduced or remitted grain purchase quotas for poorer communes, production brigades and production teams. These actions have fired the production enthusiasm of vast numbers of peasants and triggered a faster rise in farm production. The total value of agricultural output in 1979 was 8.6 percent over 1978. Grain output came to 332.12 million dun, 27.37 million dun more than in 1978. This was achieved following a bumper harvest of grain in 1978. Grain output for 1978 and 1979 recorded a total increase of over 49 million dun. There has been no parallel since the founding of new China for such a big, steady increase in 2 consecutive years. The total output of oil bearing crops in 1979 was 6.44 million dun, 1.22 million dun over the previous year;

Total meat output was 10.62 million dun, an increase of 2.06 million dun. These increases are all very great. The output of cotton, hemp, silk, tea and other industrial crops also increased by varying margins. The slow development of agricultural production over the past years has been changed.

In 1979, light industry was given priority in terms of raw materials, fuel and power supply. As a result, total output value of light industry that year rose by 9.6 percent over the previous year. The figure for the first half of this year rose by 24.2 percent over the same period last year. Both percentages were higher than the rate of increase for heavy industry. Output of the major light industrial products such as cotton yarn, cotton cloth, chemical fiber, paper, synthetic detergent, bicycles, sewing machines and wristwatches increased by a considerable margin. Marked improvements were made in terms of quality, design and variety of many products. The industrial output value of collectively-run enterprises during the first half of this year rose by 23.6 percent over the same period last year.

In heavy industry, actions were taken to restrict the production of goods in excessive supply, to increase the output of products which sold well, and to close down, stop, merge or transfer those enterprises which consumed too much energy and too many raw materials, turned out shoddy and unpopular products and registered deficits for a long period of time. Continuous advances were made in the course of readjustment. The total output value of heavy industry in 1979 increased by 7.7 percent over the previous year, while the figure during the first half of this year topped that for the same period last year by 6 percent. The growth rates in the output of coal and petroleum slowed down due to readjustments in the proportional relations between coal mining and tunneling and between oil-extracting and available reserves. In the power industry, while more electricity was being generated, efforts were made to strengthen management, thereby changing the situation of past years when operations were seriously handicapped by low cycles and voltage. In the iron and steel industry, steel output in 1979 topped the previous year by 2.7 million dun, while total energy consumption (computed from the use of standard coal producing 7,000 large calories of heat per kilogram) was 1 million dun less than in the previous year. Comprehensive energy consumption for each dun of steel was reduced to 2.28 dun of coal from 2.51 dun in the previous year. In the machine-building industry, much work was done in redefining the direction of its service and changing the composition of its products. The departments under the First Ministry of Machine-Building alone successfully developed 945 kinds of important new products. It was a year with the greatest increase in the variety of new products during the past 10 years. The output of many important products in the chemical industry and building material industry such as chemical fertilizer, plastics, cement and plate glass increased considerably. The defense industry was successful in overhauling and improving the quality of products for military use. Meanwhile, some progress was made in integrating the production of goods for military use with those for civilian use. In 1979, the output of goods for civilian use accounted for about 20 percent of the total output value of the defense industry. New achievements were also made in transportation, posts and telecommunications and geological prospecting.

The ratio between accumulation and consumption changed somewhat for the better. In 1979, the national income topped that of the previous year by 7 percent. Of the national income, 112 billion yuan were used for accumulation while 221.1 billion yuan were used for consumption. The rate of accumulation was reduced to 33.6 percent from 36.5 percent in 1978. The 1980 plan calls for further reducing the rate of accumulation to around 30 percent.

The lower rate of accumulation was primarily due to the larger amount of funds available for consumption by people in towns and rural areas, the restriction of the scale of capital construction and the conservation of circulating funds. It played a positive role in our efforts to correctly handle the relationship between national construction and the people's livelihood and to promote the systematic and proportionate development of the national economy.

Initial results were achieved in reducing the scale of capital construction and increasing returns on investments. The total investment in capital construction from the state budget and other sources in 1979 amounted to 50 billion yuan. The construction of 295 big and medium-sized projects was stopped or delayed. The original plan called for the completion of 118 large and medium-sized projects, and 128 projects were actually completed. This changed the situation over past years when the plan for projects to be commissioned could not be fulfilled. In 1980, it is planned to limit total investment in capital construction to 50 billion yuan and to stop or delay the construction of 238 large and medium-sized projects. Of the total investment in capital construction, the proportion for building workers' housing, scientific, cultural, educational and health facilities and other urban projects was increased. The percentage was 17.4 percent and 27 percent in 1978 and 1979, respectively, and will be 29 percent in 1980.

2. China Is Introducing a Number of New Economic Policies and Initiating Measures To Reform Economic Management Which Put New Life Into the Economy.

The rural areas have adopted measures to relax policies and give full play to their strong points. In accordance with the party Central Committee's decision on "Questions Concerning the Acceleration of Agricultural Development," many localities have adopted measures respecting the right of communes and production brigades and teams to make their own decisions, carried out the policy of "to each according to his work" on a broader scale, implemented various systems of production responsibility, developed diversified production and sideline household occupations and reopened village fairs, thereby enlivening the rural economy. In light of their strong points, many localities have begun to make adjustments in both the internal structure of agriculture and in overall crop patterns. While increasing the production of food grains, attention has been given to forestry, animal husbandry, sideline occupations and fishery. In planting crops, the acreage of cash crops was increased in 1979 as well as in 1980. The irrational agricultural structure and patterns which existed for a long time have begun to change somewhat. Industry has a made a good start in organizing various forms of joint operations and in matching production to demand. Under the precondition that relationships of ownership and administrative authority are not altered, jointly operated factories and enterprises which take the economic interests of all parties concerned into account have been established on a trial basis. There are specialized complexes, joint ventures breaking through the conventional confines of different trades, joint undertakings embracing factory processing in one region and raw material production in another, and so on. Joint operations have enabled us to tap latent potentials, create new productive forces, open up new raw material sources and achieve better economic results. Many localities have intensified market research, opened trade fairs, engaged commission sales agencies and engaged in other forms of activities to promote cooperation between industry and commerce, gear production to demand and produce more products to meet market demands. The steel industry has produced over 3 million dun of small steel pieces, wire material, thin sheet, welding rods and other such items in short supply to meet market demands. In 1979, the machine-building industry was assigned insufficient planned production tasks.

Therefore, it geared its production to demand and applied initiative to promote sales. As a result, total output and exports in 1979 increased 8.1 and 30.8 percent, respectively, over the previous year.

After completing surveys and studies, experiments in restructuring economic management have been actively yet prudently initiated in selected enterprises. By the end of this past June, about 6,600 industrial enterprises had carried out experiments in broadening their power of decision. Their output value accounted for some 45 percent of the total output value of all state-run industrial enterprises in the country. The experiment has done much to arouse the enthusiasm of enterprises and their workers and staff; strengthen their concept of management, markets, customer service and competition; improve management, develop production; raise quality and increase profit. In general, the rate of increase in output, output value and profit turned over to the state by enterprises experimenting with broadened decision-making powers has been higher than that before the experiment and that of other enterprises in identical trades which are not yet experimenting with broadened decison-making powers. Statistics show that in 1979, Sichuan Province's 84 local enterprises experimenting with broadened decison-making powers increased their output value by 14.9 percent, profit by 33 percent and profit turned over to the state by 24.2 percent over 1978. This year, Shanghai's textile industry has been allowed to keep a certain percentage of the profit it earns on a trial basis, and in the first half of this year its output value and profit turned over to the state rose 14.1 and 16.3 percent, respectively, over the same period of 1979. Both increases are higher than the municipal average. In rural areas, more than 100 state farms and a number of counties have formed combined agricultural, industrial and commercial enterprises on a trial basis. In general, the results have been good. In financial management, a system of central and local authorities being responsible for their respective revenues and expenditures has been introduced and has aroused the enthusiasm of the local authorities for increasing their income and reducing expenditures. Measures to reform the foreign trade system have been introduced on an experimental basis: The right of local authorities and some industrial departments to export and import goods has been appropriately broadened and they are allowed to retain a certain percentage of the foreign exchange they earn. All these experiments aim at testing the effectiveness of integrating planned production adjustments with production adjustments made according to market demands, of simultaneously taking the interests of the state, the locality, the enterprise and the individual into account and of tieing the material well-being of the workers to the success or failure of an enterprise, thereby arousing the enthusiasm and initiative of enterprises and workers so as to improve management and increase production. Generally speaking, the results of these experiments have been good, although new problems have been discovered and will require further study in the future.

3. With the Progress in Readjusting the Relations Between the Various Sectors of the National Economy, Introducing Management Reforms and Consolidating Enterprises, Better Economic Results Have Been Achieved.

The phenomena of giving arbitrary and impractical directions and doing ineffective labor in agricultural production and farmland capital construction have somewhat decreased and the situation of disregarding the cost of production has changed. The ratio between total expenditures for agricultural production and total income from agriculture narrowed. In 1979, state farms, which had run at a loss for a long time, began making a profit, earning a total of over 300 million yuan compared with a combined loss of over 90 million yuan the previous year.

In industrial production, energy conservation began to show progress. In 1979, with energy sources increasing by less than 3 percent, the total industrial output value was 8.5 percent over 1978. In the first half of this year, with energy sources registering a still smaller increase, the total industrial output value increased 13.6 percent over the same period last year. Of the increase in output value from industrial enterprises owned by the entire people, 62 percent were acquired through increased labor efficiency. The tax revenue from each 100-yuan net worth of fixed industrial assets was 31.5 yuan in 1977, 35.5 yuan in 1978 and 36.3 yuan in 1979. The turnover of circulating funds has accelerated. Last year, state industry and commerce needed 6.4 billion yuan less than in the in 1978 and in the first half of this year the sum was 16 billion yuan less than in the same period last year. In capital construction in 1979, fixed assets put to use were 83.7 percent of the total investment in these assets compared with 74.3 percent in 1978.

4. The Party and the Government Are Making Tremendous Efforts To Increase People's Income and Improve Their Life in Both Urban and Rural Areas.

Greater farm output and higher state purchase prices for major products brought peasants 10.8 billion yuan in additional income in 1979. They also benefitied to the extent of 2 billion yuan from the reduction or remission of the agricultural tax and taxes paid by enterprises run by communes, production brigades and production teams. The average per capita peasant income from the collective economy was 83.4 yuan in 1979, or 9.4 yuan more than in 1978. In comparison, the per capita peasant income from the collective economy in the 11 years from 1965 to 1976 increased by only 10.5 yuan. These figures do not include their income from sideline household occupations. In 1979, a total of 9.03 million additional people were provided jobs in cities and towns, 40 percent of workers and staff members got pay raises, wage scales were readjusted for some areas, all workers and staff received monthly subsidies to cover the increased price of non-staple foods, and the bonus system was universally introduced in production enterprises. The 1979 total wage outlay, including bonuses, for workers and staff of state-run enterprises was 6 billion yuan more than in the preceeding year with the annual per capita wage averaging 705 yuan, 61 yuan above the 1978 figure. New housing for workers and staff with a total of 62.56 million square meters of floor space was built in 1979, a 66 percent increase over 1978 and the biggest addition since the founding of the republic. Housing starts in the first half of this year came to 73.71 million square meters of floor space, higher than in the same 1979 period.

5. Markets in Urban and Rural Areas Are Brisk, With Both Purchases and Sales Booming, and Foreign Trade is Expanding Adequately.

Commercial departments purchased 199.2 billion yuan of commodities in 1979, a 14.5 percent increase over 1978. It rose again by 17.9 percent in the first 6 months of this year over the same period last year. The people's purchasing power grew substantially as income of the majority of workers and staff as well as of peasants rose. Retail sales in 1979 rose by 22.5 billion yuan, or 14.7 percent over 1978, reaching a total of 175.3 billion yuan. This was the biggest increase in retail sales in many years. In the first half of this year, there was another 18.5 percent increase over the corresponding 1979 period. Urban and rural consumption of major items has been rising since 1979. Pork, long in short supply, can now be bought in unlimited quantities. There has also been a substantial increase in the sales of knitwear and cotton goods, bicycles, sewing machines, radio sets, wristwatches, TV sets, tape recorders and other items.

The total value of imports and exports for 1979 showed an increase of 28 percent over the previous year. In the first half of 1980, there was a further increase of 20.2 percent above the same period last year. Foreign exchange earnings from nontrade channels such as tourism, remittances by Overseas Chinese and harbor services have also recorded a fairly rapid increase.

6. There Has Been Further Progress in Science, Culture, Education and Public Health.

In 1979, 103 inventions were approved by the state and achievements in more than 3,000 major projects in science and technology were gained by the country as a whole. New achievements have been made in the large-scale extension and adoption of hybrid rice and marsh gas and in the survey of agricultural natural resources and agricultural zoning. The industrial departments have successfully trial-produced nearly 1,000 new major products. There has been gratifying progress in scientific research concerning multiple use of the three large paragenetic-mineral mines of Panzhihua, Baotou and Jinchuan. In the field of scientific defense research, new progress has been made in the research and manufacture of carrier rockets, nuclear weapons, man-made satellites and other items. The success of the full-course launching tests of a carrier rocket into the Pacific Ocean in the first half of this year signified that China's scientific and technological development has reached a new level. The field of social sciences has been marked by very active thinking, and many useful ideas have been raised with regard to research into the theory of socialist economy and its practice.

In 1979 the number of students in colleges and universities reached 1.02 million, an all-time high. Students in secondary technical schools numbered 1.2 million and there were 59.05 million students in ordinary middle schools. Another 860,000 students were enrolled in various kinds of adult institutions of higher learning. New achievements have been made in culture, fine arts, broadcasting, television, journalism, publishing, public health, physical education and other undertakings. Progress has been made in family planning. The natural population growth rate had dropped from 1.2 percent in 1978 to 1.17 in 1979.

Implementation of this year's national economic plan has gone fairly well. With respect to agricultural production, because of serious natural adversities in many localities, there has been a more than 10 percent decline in the summer crop output. It is now the growing season for the autumn crops, the output of which may possibly approach the same level as last year if there are no more serious natural disasters. The output of cotton and sugar-bearing crops are expected to exceed last year's level. The outputs of oil-bearing crops, meat and aquatic products are expected to meet the planned targets. In the field of industrial production, the output of raw coal, petroleum, power generation, steel, cement, chemical fertilizers, cotton yarn, chemical fiber, paper, sugar, bicycles, television sets and other major products are all expected to meet or surpass the plan for the year. The planned 6-percent growth over last year in this year's total industrial output value is expected to be surpassed.

The series of economic principles and policies adopted by the party and state in the past year and more have been proved correct through practice. They have the popular support of the masses. The work of readjusting the economy has been carried out smoothly and the masses are satisfied with the achievements made. But there still remain many problems on our road of advance. While the majority of peasants and workers have seen an improvement in their livelihood, the life of the people in the remote and minority areas, where economic development has remained slow for a long time, is still very difficult.

Some scientific research, teaching, medical and office personnel, who have had little or no bonuses, have found little or no income increases. The actual standard of living for some of them has even dropped. The supply of some commodities still cannot meet demand after the rise in the purchasing power of the people in both urban and rural areas, because it requires time before the industrial structure can be changed. Many more years of effort are needed to gradually solve the long-accumulated problems of housing for workers and staff members, and of medical and health care, urban utilities and environmental protection. Generally speaking, the capital construction front is still too extended. There are some major projects that should be halted but still cannot be, whereas some other projects, such as those for energy, communications, building materials and science and education, cannot meet the need owing to the lack of financial resources. In the course of readjustment, some heavy industrial enterprises, particularly in the machinery industry, cannot operate at full power, some production materials have become excessively stockpiled and there are still financial deficits. The readjustment of the national economy is a very complicated, arduous task, and some contradictions and difficulties will inevitably emerge in the course of readjustment. As long as we conscientiously implement the various principles and policies of the party Central Committee and the State Council, work hard, increase production and practice economy, all these problems will be solved step by step.

II. Tasks and Major Targets in the 1981 National Economic Plan.

The major tasks in developing the national economy in 1981 are: To continue to implement the policy of readjustment, restructuring, consolidation and improvement and to promote the development of industrial and agricultural production and the work in all fields in a coordinated manner. To be specific, we should strive to develop agriculture and light industry more rapidly so as to match the supply of consumer goods with the increasing purchasing power of society and maintain a stable market price. Vigorously explore and conserve energy, improve transportation and housing construction, speed up reorganization and technical innovation in the machine-building industry, make reasonable readjustments in production in the metallurgical, chemical and other heavy industries and strive to increase the output of new-type raw and semi-finished materials in short supply to better serve agriculture, the people's livelihood, export, national defense and the readjustment of the national economy. Continue to strictly control the scale of capital construction, strive to shorten the construction period and complete and put more projects into operation. Further expand foreign trade and international economic exchanges. Vigorously improve science and technology, education, health, urban construction, environmental protection and labor protection. Seek economic results in an all-round way and strive to open up new resources, reduce spending and increase financial revenues. Further readjust the ratio between accumulation and consumption so as to continue to improve the people's living conditions on the basis of expanded production.

In line with the foregoing demands, the major targets in the 1981 national economic plan are arranged as follows:

The total industrial and agricultural output value will increase by 3.5 percent over 1980. The total agricultural output value will increase by 4 percent while the total industrial output value will increase by 6 percent.

Agriculture: Grain output will reach 342.5 million dun, up 10 million dun from 1980. Cotton output will reach 2.55 million dun, which is 250,000 dun more than 1980. Output of other cash crops, meat and aquatic products as well as acreage of afforested land is expected to speed up anew.

Light industry: The total output value will increase by 8 percent over 1980, which remains higher than the rate of increase of heavy industry. Output of cotton yarn will be 2,865,000 dun, which will be 90,000 dun more than 1980; paper will be 5.2 million dun, up 200,000 dun; sugar 3.6 million dun, up 100,000 dun; bicycles 14.84 million units, up 2.24 million; sewing machines 8.6 million units, up 1.4 million; wristwatches 23.6 million pieces, up 2.6 million; and synthetic detergent will be 480,000 dun, up 50,000 dun. The output of other light industrial products will also increase by varying degrees.

Energy industry: Coal output will be 620 million dun, up 10 million dun on 1980; petroleum output will be 106 million dun, equalling the level of the past 2 years; electricity generated will be 312 billion kwh, up 12 billion kwh from 1980.

Raw and semi-finished materials industry: Steel output will be 35 million dun; the 10 types of non-ferrous metal, 1.08 million; cement, 78 million dun; chemical fertilizer, 12.3 million dun; and timber, 49.1 million cubic meters.

Machine-building industry: Output of tractors will be 97,500 units; internal-combustion engines, 20 million hp; trucks, 160,000 units. These figures are set according to the actual needs and the availability of oil.

Communications and transportation: Railway freight will be 1.06 billion dun; ship cargo, 390 million dun; truck freight, 540 million dun. The rotation volume of passenger and freight transport by civil aviation departments and the total amount of traffic through the posts and telecommunications service will also increase.

Capital construction: The total investment will be limited to around 55 billion yuan; this includes investment directly from the state budget, plus funds raised by the departments and localities, loans from domestic banks and foreign capital used in construction.

Foreign trade: The total trade volume will be 55.9 billion yuan, up 4.2 billion yuan from 1980.

Domestic market: The total sales volume of commodities in society will be 220 billion yuan, up 15 billion yuan from 1980.

Science and technology: More than 400 projects--including the trial-production of new products, intermediate experiments and major scientific research projects--are listed in the national plans for science and technology.

Education: As institutions of higher learning enrolled new students rather late in 1977, they will not graduate until the winter vacation of 1981 and school buildings will not be vacated until then. Therefore, the enrollment for 1981 will be 270,000, maintaining the same level as 1978 and 1979.

Labor employment: 6 million additional people will be employed in cities and towns.

Family planning: The natural population growth rate is to be held to 1 percent.

People's livelihood: The income of the rural people's communes, production brigades, production teams and individual peasants will increase by approximately 10 billion yuan. The income of urban inhabitants will increase by more than 4 billion yuan. Improvements will continue to be made in housing conditions, collective welfare and social services. The income of those engaged in scientific research, teaching, medical work and office work who receive small bonuses or none at all will be gradually raised beginning in 1981.

In making arrangements for the 1981 economic plans, attention must be paid to solving the following problems: The growth of light industry has been influenced by the slow development of economic crops in the past few years. Therefore, the agricultural department must strengthen efforts in conducting a survey of resources and in carrying out zoning in line with local conditions to promote the all-round development of agriculture. Economic crops should be developed in a planned way in all those areas that are suited for growing economic crops. The production of cotton and sugar crops should be developed first. At the same time, efforts must be made to increase the production of grain in those areas that are suitable. It is necessary to expand marketable grain bases in a planned way in such grain-producing areas as Heilongjiang and Jilin so that the state will be provided with a greater amount of marketable grain.

It is also necessary to vigorously develop forestry, animal husbandry, sideline occupations and fishery. Since the development of production in light industry does not catch up with the increase in the people's purchasing power, efforts should be made to vigorously increase sources of raw materials and processing capability, increase the varieties and designs of products, and increase the proportion of high-grade and intermediate-grade goods.

China plans to produce 0.9 percent more energy in 1981 and achieve a 6 percent increase in total industrial output value. Vigorous efforts must be made to conserve energy as well as to ship out coal in good time that lies idle at some coal mines. It is also necessary to promote the use of marsh gas and to develop fuel forests in rural areas. In the fields of transport and communications, close attention must be paid to the transformation and expansion of major ports and of railway sections with poor transport capacity.

While continued efforts are made to tap potential, carry out renovations and promote the transformation of existing enterprises, priority must be given to conserving energy and raw and semiprocessed materials and to increasing the output of raw and semiprocessed materials that are in short supply, out of supply or of a new type.

Various quarters have submitted many requests for investment in capital construction. Since both the financial and material resources of the state are insufficient, capital construction should be carried out within the limits of our capabilities. Attention should be paid to guiding the plans for utilizing the funds for construction supplied through various channels. Funds should be used on major projects and in a reasonable way.

In the course of developing agricultural and industrial production, attention must be paid to promoting the results of scientific research and to positively adopting new technology. It is also necessary to make an overall arrangement for ugently developing key technology in economic construction and for promoting scientific research needed for long-term development.

In education, it is necessary to open up more opportunities; to strengthen higher education; to reform the system of secondary school education; to develop vocational and technological education; to continue to popularize primary school education; and to strengthen preschool and nursery education.

In public health, it is necessary to further promote the patriotic sanitation campaign, improve sanitary conditions in both rural and urban areas, prevent diseases and raise the level of people's health.

In regard to employment, the labor system should be reformed step by step, a more flexible policy adopted and new avenues of employment expanded and opened by implementing the policy of combining job recommendations by labor departments with individuals finding jobs for themselves or organizing themselves on a voluntary basis to do the work they prefer. It is also necessary to energetically develop collectively owned enterprises that assume sole responsibility for their own profits or losses and promote individual economy in an appropriate way that does not exploit others.

Labor protection should be strengthened. All departments engaged in production and construction and all enterprises and institutions must earnestly draw a profound lesson from the "Bohai No 2" accident; improve and strictly carry out the system of safety in production and various systems concerning responsibility; respect science; humbly listen to opinions of workers, staff members and scientific and technical personnel; accept the supervision of the masses; and insure the personal safety of workers and staff members.

Family planning must be taken as an important strategic task, and efforts should not be slackened in this respect. It is necessary to do publicity work thoroughly and carefully, to prohibit coercion and commandism, to constantly improve techniques of birth control and to pay attention to preventing accidents that result in injuries or disabilities.

III. Adopt Effective Measures To Insure the Fulfillment of the 1980 and 1981 Plans.

In order to insure the successful fulfillment of the national economic plans for 1980 and 1981, it is necessary to proceed from actual conditions and take reliable and effective measures. In agriculture, all localities should seriously implement the various policies set forth by the party Central Committee, vigorously promote and popularize science and technology and increase state support for agriculture in order to insure its steady and all-round development. All sectors should continue to pay attention to light industry and do everything possible to increase its production to insure that its road to development will become increasingly broad.

Now I will specifically explain the primary measures to be taken for the development and conservation of energy; the readjustment of heavy industry, and especially the readjustment and transformation of the machine-building industry; the invigoration of the material industry; and the transformation of the economic management system.

1. We shall place equal stress on energy development and conservation. At the present stage we must give priority to energy conservation. Beginning next year, we shall vigorously carry out technological transformation and structural reform with a view to conserving energy. The following measures will be taken to promote energy development and conservation:

By means of a combination of state capital construction investment, bank loans and various other forms of support, the coal industry should step up coal mine construction to insure that by next year the production capacity of all coal mines under construction will reach 120 million dun and that the production capacity of all coal mines in operation will increase by 10 million dun. In addition, beginning next year, the funds for maintaining simple reproduction will be appropriately increased to help coal mines tap existing potential through technological transformation. Necessary measures should also be taken to improve the labor system and protection of coalmine staff members and workers.

With respect to the oceanic exploration of the petroleum industry, we have signed contracts with a number of foreign oil companies for a geophysical survey of China's South Sea and south Yellow Sea covering an area of 410,000 square km. This survey has already been completed. On the basis of this survey, we shall gradually open bids for joint exploration and exploitation. In addition, we have also signed contracts with foreign oil companies for joint exploration and exploitation of natural gas in parts of the Bohai and Beibu Wan. With respect to oil exploration on land, we shall continue the exploration in China's eastern region. Furthermore, exploration work is now in progress in the alluvial basins of Junggar, Qaidam, Tarim, Shaanxi, Gansu, Ningxia and Sichuan.

By means of state capital construction investment, absorption of portions of local funds and an increase in bank loans, the power industry shall strive to increase the capacity of new generating sets by over 3 million kilowatts next year. The survey, design and other earlier stage preparations for the construction of several large hydropower stations will also be stepped up. Research and experimentation with nuclear power, solar energy and other new energy sources will also be strengthened.

The following measures will be taken to promote energy conservation:

The management of energy sources will be further strengthened. Beginning next year, the enforcement of quotas for enterprises that consume energy equivalent to more than 10,000 dun of standard coal will be strengthened. Efforts should be made to achieve a better thermodynamic equilibrium. Economic measures should be taken to make enterprises further reduce their energy consumption. All this should be accomplished to achieve the goal of saving 7 or 8 million dun of standard coal next year.

The industrial and production structures should be gradually altered. The proportion of light industrial output value to that of the entire industry will increase by 1 percent from this year's 44 percent to 45 percent. This will reduce standard coal consumption by 6 million dun. The ratio of pig iron to steel output will be reduced from this year's 1.03:1 to 1:1. This will save 2 million dun of standard coal. All localities and departments should adopt effective measures to change the industrial and product structures in order to save as much energy as possible.

Great efforts should be made to promote technological transformation with a view to conserving energy. This will be the road to energy conservation for a long period to come and a major step to industrial modernization. Next year we plan to transform the medium- and low-pressure generating sets that consume too much coal to centralized heat supplies and to a combination of heat and electricity and to gradually replace small boilers. We shall also adopt a number of effective energy conservation measures in such key departments as metallurgy, chemical industry building material and petroleum and communications which guarantee quick results.

It is necessary to gradually replace all power-driven machinery that consumes a great deal of energy. To save fuel, beginning with trucks next year, we will replace some of them, store some of them in depots and eliminate some of them.

It is necessary to continue the task of converting oil-burning power stations and boilers originally designed to burn coal back to burning coal again. Next year, we plan to convert a number of oil-burning power stations and boilers into coal-burning ones with the aim of conserving a total of some 2.5 million dun of oil annually.

It is necessary to establish laws and regulations to set energy consumption standards and related measures for rewards or penalties.

Second, there will be a further restructuring of heavy industry--particularly the machine-building industry--in order to better meet the needs of national economic development.

The present situation is: Because of the readjustment in the ratio between accumulation and subsistence, the scope of capital construction has been narrowed and the demand for certain means of production has decreased. Yet the continuous increase in individual income in both the urban and rural areas has greatly increased the demand for the means of subsistence. The current industrial structure cannot meet the needs of the new situation. A part of the machine-building industry has been idled, and the supply of certain means of subsistence has fallen short of demand. This has adversely affected the development of the entire economy. To solve this problem, it is of primary importance to take the initiative in making some major readjustments in heavy industry, particularly the machine-building industry.

The machine-building industry, which encompasses the electric machinery and electronic industries, supplies various departments with technical equipment. In the course of realizing the four modernizations, the machine-building industry shoulders an important task. In order to fully realize the productive capacity of China's machine-building industry and raise its level of production and technology, it is necessary to carry out overall planning and all-round arrangement. Furthermore, it is necessary to step by step break the boundaries that exist between localities and departments. The readjustment and transformation of the machine-building industry itself should be quickened in accordance with the principles of coordination, standardization, serialization and general utilization among specialized departments.

Efforts must be made to strengthen scientific research and importing of technology; to gradually master the world's advanced technology in production and advanced product design; and to energetically improve the quality of fundamental parts [ji chu jian 1015 4342 0115] and raise the level of basic technology. Efforts must also be made to trial-produce and manufacture new types of machines, electronic products, and optical instruments and equipment (including lasers) that are urgently needed in current production and that are highly efficient, of good quality, low in energy consumption and low in cost, so as to provide light industry, heavy industry and other departments with needed equipment. Efforts must also be made to increase production of livelihood means.

New technologies--including integrated curcuits and computers, particularly medium- and small-sized computers and microprocessors--should be gradually applied to industrial and agricultural production and to articles for daily use. Efforts should be made to gradually turn large-scale production of integrated circuits into production in large quantities.

The machine-building industry must improve the supply of machines in complete sets and strengthen technical services. All trades and professions and the whole nation must be concerned about our country's machine-building industry and must actively choose and use products manufactured in our country. Administrative and economic measures must be taken to promote the development of our country's machine-building industry, and efforts must be made to increase exports while decreasing imports.

In line with the demand of technical transformation, with the emphasis on energy conservation, the machine-building industry must vigorously develop energy-saving mechanical and electrical products and speed up renewing and replacing those mechanical and electrical products that are high in energy consumption. It is particularly necessary to energetically study, design and manufacture, in accordance with the principle of energy conservation, industrial equipment that is high in energy consumption, such as industrial boilers, internal combustion engines, motor vehicles, blowers, water pumps and electric motors.

Part of the productive capacity and technical force of both heavy industry and national defense industry should be shifted in a planned way to the production of livelihood means and other goods urgently needed in developing the national economy.

All localities and departments must do a good job of conducting market surveys and estimates, work out concrete plans and conscientiously carry them out after studying available technology and supply of raw materials on the basis of a reasonable principle in practicing economy.

3. We shall invigorate the material industry, increase product variety, improve product quality and vigorously promote comprehensive utilization.

Materials constitute an important material base for national defense construction and scientific and technological development. Its variety, quality and output level are important indicators of our economic and scientific and technological levels. China's technological transformation being carried out to achieve energy conservation, its agricultural and scientific and technological development, its national defense modernization and the steady improvement of its people's livelihood all impose new demands on the material industry. Therefore, we must place due stress on the development of this industry.

We must develop metals as material in accordance with the needs of society. Efforts should be made to continuously increase its variety, improve product quality and gradually raise the proportions of alloy steel in steel production. At the same time, we shall carry out the planned comprehensive exploration and utilization of the polymetallic associated ores, which are abundant in China. We shall use vanadium, titanium, nickel, cobalt, rare earth metal and niobium, found in abundance in polymetallic associated ore mines, to increase the variety of our steel, iron and other nonferrous metals.

We must make plans to arrange for the comprehensive utilization and quality improvement of tungsten, molybdenum, tin, aluminium and other nonferrous metals so that we may gradually export them as finished products instead of as raw materials.

We must use existing conditions to vigorously develop plastics, synthetic fiber and synthetic rubber--the three major synthetic chemical materials--and gradually raise their ratios in the entire industry, especially in the light industry.

New types of building materials are of great importance to the construction trade in accelerating construction work, reducing the weight of structures, lowering construction costs, utilizing industrial waste residue and conserving energy. We must therefore support the development of new-types of building materials.

China has rich deposits of graphite, asbestos, gypsum, kaolin and other nonmetallic materials but lags behind in their exploration, exploitation and processing. Measures should be taken to gradually change this backwardness.

We must further develop new types of materials. With the progress of the four modernizations, all sectors will demand more and better new materials of different varieties. It will be a very difficult task to meet all these demands. We must therefore regard the development of the new materials as an important job and must give our necessary support in financial and material resources and through their prices and taxation.

4. On the basis of our experimentation, we shall speed up the reform of the economic management system, bring into play the strong points, protect competition, promote integration and mobilize initiative in all quarters.

We shall expand the self-management power of all state industries. Under the guidance of the state plan, enterprises will have more power to make decisions than they now have on matters concerning personnel, finance, materials, production, supply and marketing. Enterprises can make production plans in accordance with the market needs or accept jobs in cooperation with other units, provided that the fulfillment of the state supply assignment is guaranteed.

In addition to the materials supplied under the state plan, enterprises may purchase the best available materials they require. Contracts or agreements signed between enterprises will be protected by law. Existing rules and regulations incompatible with the exercise of greater self-management power by the enterprise will be gradually revised.

Every enterprise or insitution will form a workers congress or council. The congress or council will have the right to discuss and decide the major issues of the enterprise or institution. It will have the right to recommend to the higher level the recall of incompetent leading administrative personnel and to elect their own leading personnel at appropriate levels step by step.

We must vigorously organize various forms of economic cooperation. All localities, departments and enterprises should be encouraged to use their respective specialties and strong points and to develop economic cooperation by forming integrated economic complexes. They should be encouraged to supplement each other, bring their respective advantages into play and avoid disadvantages and achieve maximum economic results at minimum cost.

Economic cooperation should be based on the principle of equality, mutual benefit and consideration of the economic interests of all parties concerned. It will not be confined to units of the same trade, same locality, same type of ownership or under the same jurisdiction. However, economic cooperation does not mean that any of the parties can change its type of ownership, its subordination status and its financial relations. Each enterprise within a combine should keep separate accounts and should not mix accounts together. The combine is entitled to market the goods produced above the state quotas. A combine committee composed of representatives from all parties concerned will be formed as the highest organ of the combine.

Competition should be extensively promoted under the guidance of the state plan. Launching competition among the various enterprises under the prerequisite of upholding a planned socialist economy is conducive to encouraging the enterprises to improve their management, business accounting, the quality of their products and to raise the efficiency of their economic work. In launching competition, any limitation by localities or separation by departments should be eliminated. Monopoly should be opposed and routes for the circulation of commodities opened up. It is wrong to use administrative means to protect backwardness, blockade markets and hinder the normal circulation of commodities. Therefore, these actions must be stopped. While promoting competition, the socialist spirit of cooperation and exchange of technical know-how should be encouraged. A royalty scheme will be worked out to govern important new technologies.

Banks are to be run independently. They should play their full role in economic development under the guidance of the state plan. They should expand their decision-making power step by step and decide upon loans in accordance with credit policy, with the total amount of loans and the utilization of loans stipulated by the state. Moreover, banks should exercise supervision over the use of loans. Banks should strengthen their work by making good use of interest so as to expand their credit funds and promote the development of production. They should help enterprises with careful calculation and strict budgeting and economize on the use of funds so as to accelerate funds turnover.

The system of taxation will be gradually reformed. In accordance with laws to be adopted at the current NPC session, income tax from joint ventures with Chinese and foreign investment as well as personal income tax will be levied, thereby doing a good job of levying taxes involving foreign investment. Taxes based on an increase in value will be collected on a trial basis from enterprises of machine building and farm machinery industries in order to solve the problem of collecting double taxes on some industrial products. Laws governing taxes collected from collectively owned enterprises in cities and towns will also be revised in order to properly readjust the tax burdens of these enterprises and develop the collective economy. Beginning in 1981, fees for the use of fixed funds longer than the prescribed period will be collected from state-owned enterprises on a trial basis in order to promote the rational use of state assets. The experiment of collecting income tax instead of profits will be conducted at more selected units of state-owned enterprises, and the levying of income-regulating and resource taxes will begin correspondingly. The method of providing repayable investments on capital construction projects will be changed so that such loans will be provided by banks.

The regulation of the economy through the market will be carried out under the guidance of the state plan. The state plan should do a good job of achieving an overall balance in the economy. Since some of the targets are actually orders compelling enterprises to fulfill them, they will be gradually reduced. Some targets are meant to play a guiding and detecting role. Through its economic policy, economic laws and the role of economic leverage, the state guides the production and development of enterprises in the correct direction in order to give play to the initiative of the enterprises. These types of targets will be gradually increased. Except for those materials that are important and in short supply and that must be distributed in a planned way or ordered for purchase by supply departments on a priority basis, all means of production may be put on the market for free circulation. Except for those consumer goods requiring unified purchase and marketing or unified purchase and distribution, the state monopoly over the sale of such goods will be replaced by planned purchase, order or option. Links in circulation should be reduced and routes for circulation increased. Restrictions imposed by administrative departments and divisions should be eliminated and the circulation of the means of production and consumer goods in accordance with economic zones should be reasonably promoted. The forms of commodity circulation that have already been established in various areas and departments, such as trade fairs, wholesale markets, trade centers, trade warehouses, retail departments and display and retail departments should sum up their experiences and strive to run their businesses in a better way in order to promote industrial and agricultural production and serve the people's livelihood.

The restructuring of the management of foreign trade should be continued. The operational powers of all areas and departments engaged in foreign trade will be expanded. Their economic accounting should be strengthened. Some large enterprises and integrated companies will be allowed to directly engage in foreign trade on a trial basis beginning next year. Necessary laws and regulations will be formulated, the system of issuing import and export permits will be put into practice and foreign exchange controls will be strengthened according to a unified policy, unified plan, and the principles of dealing with foreign trade in a unified way and expanding the decision-making powers of foreign trade departments at all levels.

Step up legislative and judicial work concerning economic affairs. As more and more economic management reforms are introduced and more and more economic means are used in economic management, it is imperative to step up legislative and judicial work concerning economic affairs.

We must earnestly study and sum up experience in economic construction both at home and abroad, and, in accordance with the party's line, principle and policy, formulate regulations on socialist economic management and managment through step by step planning. We have to energetically train legal affairs personnel. It is necessary to step up economic arbitration work and establish and strengthen the court for economic affairs.

All the above-mentioned measures for economic reform are aimed at furthering the readjustment of the national economy, arousing the enthusiasm of the people and units in all fields, exploiting the potential in economic work, expanding production and enforcing thrift. These reform measures are all preliminary. We have yet to make more investigations, sum up more experience, step up theoretical research, draw on the useful experience of other countries in related matters and conduct sufficient deliberations before we introduce an all-around reform for our economic management.

Deputies, in the past year and more, by conscientiously implementing the principle of readjustment, restructuring, consolidation and improvement, we have made a significant advancement in our national economy. Experience shows that our national economy can advance steadily in the course of readjustment. We are confident that under the leadership of the party Central Committee, the cause of China's construction will continue to advance victoriously if we continue implementing this major principle, bring into full play the wisdom of the people and truly solve the new problems cropping up on our way of advance. It is highly probable that we will achieve socialist modernization before the end of this century. We must emancipate our minds, seek truth from facts, go all out to make our country strong and wholeheartedly do our work well in a down-to-earth manner to strive for the fulfillment of the national economy plans for 1980 and 1981.

WANG BINGQIAN REPORTS ON FINANCIAL AFFAIRS AT 30 AUG NPC

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[Report on the final state accounts for 1979, the draft state budget for 1980 and the state financial estimates for 1981--delivered on 30 August 1980 at the Third Session of the Fifth National People's Congress by PRC Finance Minister Wang Bingqian]

[Text] Beijing, 12 Sep--Fellow deputies: I have been entrusted by the State Council with making a report on the final state accounts for 1979, the draft state budget for 1980 and the state financial estimates for 1981, which I now submit for your examination.

I. The Final State Account for 1979

In 1979 the people of all nationalities in our country, led by the Chinese Communist Party, conscientiously implemented the policy decision of the 3d Plenary Session of the 11th CCP Central Committee and the resolutions adopted by the Second Session of the Fifth National People's Congress, effected the shift of emphasis of the whole country's work and began to proceed with the readjustment, restructuring, consolidation and improvement of the national economy. As a result, the serious disproportions in the national economy have been somewhat rectified, and new developments have been made in various production and construction undertakings. In state finances, a series of important measures were adopted during that year that led to remarkable results in readjusting the ratio between accumulation and consumption; promoting industrial and agricultural production; bettering the people's livelihood; reforming the financial system; increasing the financial power of the local authorities and enterprises; and encouraging initiative by all quarters.

In the course of doing this, the state paid a certain price financially in order to rectify the serious disproportions in the national economy that sabotage by Lin Biao and the "gang of four" had created and to solve step by step the problems in production and the people's livelihood left over for years.

In the 1979 state budget adopted last year by the Second Session of the Fifth National People's Congress, revenue and expenditures were balanced at 112 billion yuan each. According to the results in implementing that budget, we have now compiled the 1979 state final accounts. Major points of the final accounts are:

In the 1979 state final accounts, revenue totaled 110.33 billion yuan. This, minus 3.53 billion yuan of loans from foreign countries not included in the original budget, leaves an amount of 106.8 billion yuan, which was our domestic financial revenue. This amount accounted for 95.4 percent of the budgeted revenue. It included 49.29 billion yuan of revenue from enterprises, accounting for 88.6 percent of the budget; 53.78 billion yuan of tax revenue, accounting for 99.7 percent of the budget; 650 million yuan of other revenues, equivalent to 272.5 percent of the budget; and 2.46 billion yuan of basic depreciation fund for those enterprises where the state funds are concentrated [zhong yang cai zheng ji zhong di qi ye 0022 1135 6299 2398 7162 0022 4104 0120 2814], equivalent to 112 percent of the budget.

The total expenditure in the 1979 final state accounts was 127.39 billion yuan. This, minus 7.09 billion yuan of appropriations for capital construction projects using foreign loans which were not included in the original budget, leaves an amount of 120.3 billion yuan--which was domestic expenditure. This amount was 107.4 percent of the budgeted expenditure. It included 44.38 billion yuan of appropriations for capital construction projects using domestic funds, equivalent to 113.8 percent of the budget; 7.2 billion yuan of funds used for tapping potential and making renovations in enterprises and expenses for trial-manufacture of new products, equivalent to 128.6 percent of the budget; 5.2 billion yuan of appropriations for increasing the circulating funds of enterprises and the credit loan funds of banks, equivalent to 106.2 percent of the budget; 9.01 billion yuan of expenditure in support of rural people's communes and various expenses for agricultural projects, equivalent to 127.8 percent of the budget; 13.21 billion yuan of expenses for cultural, educational, public health and science projects, equivalent to 109.4 percent of the budget; 22.27 billion yuan of spending for national defense and preparations against war, equivalent to 110.1 percent of the budget; and 5.69 billion yuan of administrative expense, equivalent to 124.2 percent of the budget.

Comparing the total revenue with the total expenditure in the 1979 final state accounts, there was a deficit of 17.06 billion yuan. To make up for this deficit, we used the accumulated surplus from previous years in the amount of 8.04 billion yuan and overdrew 9.02 billion yuan from the People's Bank of China.

The main reason that the 1979 state revenue was below and expenditure exceeded the budgeted figures was mainly that the adoption of some measures led to reduced revenues and increased expenditures in order to meet the requirement of economic readjustment. These measures, however, were indispensable to laying the foundation for sustained development of the national economy in the future. Furthermore, these measures have already brought about obvious and gratifying results. They have promoted the consolidation and development of the political situation of stability, unity and liveliness throughout the country.

1. There has been a fairly big increase of the purchase prices of farm and sideline products and a reduction or remission of some taxes in the rural areas, which have enabled the people in the rural areas to have respite and rehabilitation and which are conducive to strengthening agriculture--the foundation of the national economy--at a relatively greater speed. Since the beginning of the summer harvest last year the state has raised the purchase prices of 18 major farm and sideline products, including grain, cotton, oil, hemp, sugarcane, beets, pigs, cows, sheep, fish, eggs and cocoons and offered higher prices for above-purchase-quota grain, cotton and oil. State subsidies for this purpose reached 7.8 billion yuan during that year, exceeding the budget by 1.3 billion yuan. Meanwhile, the state has set the minimum taxable amount for the levy of agricultural tax in kind in areas of low production and grain shortage, reducing the amount of this tax by 4.7 billion jin. In addition, the state has appropriately raised the minimum taxable amount for the levy of industrial and commercial income tax for the enterprises run by the rural communes and brigades, appropriately extended the period of tax exemption or remission for the newly established enterprises run by the rural communes and brigades, and decided on a 5-year exemption of industrial and commercial income tax for such rural enterprises in nationality autonomy counties (banners) and frontier counties. The sum total of these tax exemptions and remissions reached 2 billion yuan for the whole year, exceeding the budgeted figure by 300 million yuan. As a result of the development in agricultural production and the rise of purchase prices of farm and sideline produce, the per capita income of the peasants distributed by the collective amounted to 83.4 yuan in 1979, an increase of 9.4 yuan over the previous year. There were of course differences between various localities, but this represented a major readjustment of the relations between the workers and peasants since the founding of our country. It also was a major readjustment with regard to the distribution of national income and state finance. It has played a positive role of far-reaching significance in the development of the national economy.

2. Active arrangements have been made to find employment for the laborers, increase the wages of some staff and workers and enforce the reward system, thus raising the level of income for staff and workers. In 1979 various approaches were taken to find jobs for 9.03 million people--including the unemployed in the urban areas and other people, as well as college and middle and vocational school graduates whose job placements were under the unified distribution by the state--and raise the wage gradings for 40 percent of the workers and staff; readjust the wage classifications in some localities; enforce a reward system in all state enterprises; and offer nonstaple food price subsidies to the workers and staff. For the country as a whole, the average annual wage of the workers and staff of the enterprises owned by the whole people reached 705 yuan, 61 yuan more than in 1978. The state funds used in this area in the year totaled 7.5 billion yuan, 2.5 billion above the budgeted figure. At the same time, the state also appropriated a special fund from the amount for capital construction investment. This special fund, combined with the flexible financial resources contributed by the localities and enterprises, was used in housing construction for workers and staff. By the end of last year, housing units completed in the urban, industrial and mining residential areas had a total floorspace of 62.56 million square meters. This represented an increase of 66 percent over the previous year, and it was a year of the greatest number of housing units completed since the founding of our country. It should be recognized that, given the readjustment of the national economy and relatively difficult state financial situation in 1979, the funds used in this area were considerably large and represented a very great effort. Of course, at present there are still some unemployed people in the urban areas who require our continued efforts at job placement, and there still remain the personnel of some scientific, educational and health units and administrative offices without bonuses, whose income has not increased much or not increased at all. There has even been a decline in the actual living standard for some, and there is still a keen shortage of housing in the urban, industrial and mining areas. All these problems call for continued efforts in the future to solve them.

3. There has been an expansion of the financial powers of localities and enterprises and an increase in their flexible funds. This is conducive to stimulating the national economy, promoting increased production and increased income and gradually solving the problem of serious disproportion between the "bone" and the "meat." In 1979 the state decided to let 49 large and medium-sized cities set aside 5 percent of their industrial and commercial profits as the funds for urban construction, and to permit the localities to retain a fixed proportion of the profits made by the county-run industrial enterprises and so on. This has increased the local flexible funds by 2 billion yuan. Meanwhile, a system of retaining some profits as funds of the enterprises has been universally practiced in all state enterprises in the country, and the method of sharing a percentage of profits has been implemented on an experimental basis in more than 4,000 industrial enterprises and commercial departments. From this the enterprises obtained 4 billion yuan of flexible funds. For the above 2 measures, the state appropriated more than 6 billion yuan, 2 billion more than the budgeted figure.

4. The state greatly increased funds for the development of agriculture and light industry to help readjust the ratio between agriculture, light industry and heavy industry, stimulate brisk business on the market and meet the people's needs while their purchasing power was growing stronger and stronger. In 1979, the outlay to support rural people's communes and various agricultural operating expenses totaled 9.01 billion yuan, an increase of 1.96 billion yuan over the budget. In addition, the state appropriated 2.3 billion yuan for investment in capital construction and light and textile industries, and increased expenses for tapping the potential of and remodeling light and textile industries and loans for specified items by 1.5 billion yuan. The state also adopted the policy of supplying fuel, power and raw and other materials on a priority basis to support the development of light and textile industries. In 1979, the growth rate of China's light and textile industries reached 9.6 percent, while the growth rate of heavy industry was 7.7 percent. The output of various major manufactured goods for daily use, including cotton cloth, synthetic fabrics, paper, bicycles, sewing machines, wristwatches, TV sets and synthetic detergent, increased by big amounts. This was rare in past years.

5. The state increased the outlay for national defense and preparations against war. In 1979 the outlay in this field totaled 22.27 billion yuan, exceeding the budget by 2.04 billion yuan. To oppose hegemonism and guarantee a peaceful environment for socialist modernization, it was entirely necessary for us to spend more money in this aspect last year.

6. Also, since the 3d Plenary Session of the 11th CCP Central Committee, a large number of framed, sham and erroneous cases have been redressed throughout the country by seeking truth from facts. This is of important significance for consolidating and developing the political situation of stability and unity and developing the enthusiasm of the people throughout the country for the four modernizations. In accordance with regulations the state paid wages retroactively to all exonerated cadres and workers. The state also paid allowances to those who had special difficulties. According to incomplete statistics, the outlay in this field totaled more than 1 billion yuan.

The expenses exceeding the budget shown in the above-mentioned six areas totaled over 11 billion yuan. These important measures the state adopted played a very great role, and their results were remarkable. We had never done so many extremely important things within 1 year before. Because of the increase in purchase prices and wages, the increase of employment opportunities and other measures taken to improve the people's living, the state greatly increased its outlays. Though the outlay for capital construction at home was curtailed, it was impossible to achieve results from the readjustment at once. The line of capital construction was still overextended. As a result, the final account was 5.3 billion yuan more than the budget. This is why our country had financial deficits in 1979.

Our country paid a certain price. People have realized that after the state took these measures, our national economy became more and more balanced and that these measures brought us the excellent situation in industrial and agricultural production and in overall increase of commodity circulation. People in both urban and rural areas had greater purchasing power, and their living improved correspondingly. A new vigorous atmosphere prevailed in all fields.

Of course, because of our underestimation of the seriousness of the sabotage by Lin Biao and the "gang of four," there were shortcomings and errors in our work while we carried out the 1979 state budget. For instance, in capital construction imported items cost more than the budgeted funds; the efforts we made to reduce the production cost of enterprises and eliminate the deficits were not enough; our production plans were not fulfilled; our financial management was not strict enough for the state to collect all profits and tax revenues due and save expenses that should be saved. Also, our financial and economic discipline was poor; the waste and losses in some fields were still very serious; our efforts to examine and handle the situation were not enough. We must pay attention to all this and make improvements in the future.

It should also be mentioned that the problem of last year's financial deficit was resolved, to a considerable extent, by using the accumulated surplus from previous years. The problem was also resolved in part by overdrawing from the bank. However, this did not lead to a big increase in the amount of currency issued. The reasons were: First, last year saw an 8.6 percent increase in the total agricultural output value in the country, a 9.6 percent increase in the total output value of light industry and a 14.7 percent increase in the retail sales of commodities in society compared with the preceding year. Such high percentages of increase have seldom been experienced. Because of the bumper harvest in agriculture and increased production in light and textile industries, the supply of food, clothes and daily necessities on the market was rather abundant, except for a few kinds of commodities. The people had nothing to worry about, and the market was basically stable and thriving. Second, last year the people's savings deposits in banks in urban and rural areas increased by 9.7 billion yuan compared with the record at the beginning of the year. Such a large increase was unprecedented. This not only indicated the people's efforts to work diligently and practice economy while supporting our national construction but also reflected the high prestige of the renminbi. Third, after reforming the system, some of the state financial resources became the flexible financial resources of the local authorities and enterprises. These financial resources were not entirely used during the year, and the unused portion became bank deposits. At the end of last year, the special fund deposits of enterprises, unbudgeted deposits made by the local authorities and the deposits of capital construction units, various organs, groups and PLA units exceeded the beginning of the year by some 6.7 billion yuan. These funds served to alleviate the impact of the financial deficit. The above were the main reasons that last year's economic activities were not seriously affected by the financial deficit. Of course, financial deficits always have some adverse effects on economic activities. The price hikes for some commodities in recent years were a reflection of these adverse effects. We should never take this problem lightly, but we should give it much attention and solve it seriously.

In dealing with financial problems we have consistently kept to the principle of balancing revenue and expenditure with a small surplus instead of making a deficit budget. Last year's financial deficit, in the final analysis, arose from the severe damage to the national economy during the 10 years of catastrophe caused by the "gang of four" and the series of problems resulting from this catastrophe.

Through practice, we have deeply felt that these problems left over from the past are more serious than had been expected and cannot be completely eliminated in a short time. Because of these problems and our shortcomings and mistakes in carrying out the construction work, we have to spend more financially than originally expected. The numerous major economic readjustment measures adopted last year, including commodity price adjustment, increased wages, bonuses and placement of jobless people, were not one-time arrangements that could be discontinued the following year. They are of a continuous nature and, for this reason, would inevitably present difficulties to the balance of payments in state finances for 1 or 2 years. We must continue to develop agricultural and light industry production, basically stabilize the commodity prices on the market and take effective steps to tap potential, increase revenue and reduce expenditure in implementing the budget plan. While solving the question of the financial system with regard to unified revenue and expenditure, we must make further efforts to improve the relevant financial rules so as to correspond with the reformed economic system. By doing well in this regard, we will be able to gradually reduce and finally eliminate the deficit and achieve a balance of revenue and expenditure. With the readjustment of the national economy and the development of production and construction, we believe that we will surely be able to achieve this goal.

II. The Draft State Budget for 1980

The state financial work for 1980 is very great and arduous. We must make continued efforts to carry out the principle of readjustment, restructuring, consolidation and improvement and further rectify the serious disproportions in the national economy. We must also earnestly exploit favorable conditions, protect competition, promote joint ventures, enliven the national economy, develop production, tap potential and explore more financial resources to increase our revenue. We must firmly control the capital construction investment, reduce the rate of accumulation in a planned and step-by-step manner and gradually improve the people's livelihood by developing production and raising labor productivity. Continued efforts must be made to support the development of agriculture and light industry; to strengthen such weak links as coal, power, oil, transport and building materials industries; and to support the development of culture, educational, public health and science undertakings. With a positive and proper attitude, we must continue to pay attention to reforming the financial system, the financial rules in enterprises and the tax system, with a view to further improving our financial work.

On the basis of the above requirements, the total state budgetary revenue for 1980 is set at 106.29 billion yuan, and the total budgetary expenditure at 114.29 billion yuan. The expenditure is 8 billion yuan more than the revenue. Through efforts to increase production and practice economy, the difference may be reduced to some extent. The deficit is to be met by interest-bearing loans from the People's Bank of China.

The State Council's "Report on the Implementation of the 1979 National Economic Plan and the Arrangement for the 1980 National Economic Plan" to the 14th Session of the Standing Committee of the National People's Congress last April estimated the total financial revenue for 1980 at 98.2 billion yuan and the total expenditure 102.2 billion yuan, with a deficit of 4 billion yuan. Now we have made new calculations based on the implementation of the budget plan during the first half-year and the new problems that have arisen. We have also included in the calculations loans from abroad and appropriations for capital construction projects using foreign loans, as well as repayments of principal on loans and their interest payments during the year. In addition, we have taken into consideration the added investment in electric power projects, the expenses for controlling extra-large droughts and floods, the increased personnel expenses for public security, procuratorial and judicial organs, and the subsidy for reduction of the pork price. Because of this, both revenue and expenditure in the budget have increased, and the difference is greater.

Of the total revenue in the 1980 budget, revenue from enterprises is 46.06 billion yuan, tax revenue 54.4 billion yuan and other revenues 240 million yuan. [figures as received] The basic depreciation fund for those enterprises where state funds are concentrated [zhong yang cai zheng ji zhong di qi ye 0022 1135 6299 2398 7162 0022 4104 0120 2814] is 2.2 billion yuan, and loans borrowed from abroad 3.39 billion yuan.

The 1980 state budgetary revenue is 4.04 billion yuan less than last year. This is because the measures for raising the purchase prices of agricultural and sideline products, adjusting the wages of some staff members and workers and expanding the employment of laborers were put into effect one after another in the middle of last year and thus affected the financial revenue for only a few months of that year, while the same measures affect the financial revenue for all months of this year. Moreover, this year we have to adjust the prices of cotton, pharmaceuticals, pig iron, coke and other products, and we have to raise the depreciation rates used by enterprises practicing the profit-sharing system on a trial basis and by departments on the railway transportation front. Calculated in terms of comparable items, the 1980 financial revenue increases by 6.4 billion yuan, or a rise of 6 percent. This by and large corresponds with the rate of a 5.5 percent planned increase in the total industrial and agricultural output value. For this reason, it is a fairly positive and reliable budget.

It is also necessary to explain as follows: At present, there are fairly large price subsidies, which create a financial burden. All types of price subsidies amount to more than 20 billion yuan in 1980--including approximately 12 billion yuan subsidies for basic consumer products such as grain, cotton, oil, meat, eggs, vegetable and coal for civil use; approximately over 5 billion yuan subsidies for procuring farm produce in excess of quotas; and approximately 3 billion yuan subsidies as preferential treatment for the production of the means of production for agriculture and industrial products in support of agriculture. This figure will be much greater if subsidies for rent, transport and others are also included. All these subsidies will reduce and affect revenue. However, we must reaffirm that under present conditions in China, such price subsidies are extremely necessary in ensuring the stability and improvement of the people's livelihood and in promoting stability and unity nationally. We must do a still better job in this regard.

The total budgeted expenditures for 1980 are 13.1 billion yuan less than for 1979. Essential expenditures will be as follows:

1. 37.35 billion yuan is for capital construction, 14.1 billion yuan less than last year. This amount includes 24.15 billion yuan directly under the state budget for capital construction; 2.13 billion yuan standby funds earmarked for capital construction and for investments in Tangshan on a contractural basis; 4.74 billion yuan from reserve funds for capital construction; and 6.33 billion yuan foreign loans for capital construction. It is necessary to explain that the amount of state investments for capital construction is reduced, but funds for capital construction raised by the localities and enterprises themselves beyond state budgets are increased. All kinds of loans of a capital construction nature have also increased. Therefore, the total amount of funds for capital construction are still maintained at the 50 billion yuan level. This calls for efforts to combine funds inside and outside the budgets with credit funds and to combine funds raised within the country with loans from foreign countries; channel scattered funds to develop production and construction projects badly needed by the state; and exercise strict control over the scale of capital construction. From now on, it is essential to work out overall financial plans and step up efforts to strike an overall balance of the state financial and material resources.

2. 6.98 billion yuan is for tapping the potential of enterprises or transforming them, as well as subsidies for the trial manufacture of new products, 220 million yuan less than the previous year. Apart from funds that are direct state appropriations, the basic depreciation funds for state-owned enterprises under the relevant stipulations plus the profits kept by the enterprises to expand production come to 16 billion yuan. Generally speaking, funds for tapping the potential of enterprises or transforming them, as well as subsidies for the trial manufacture of new products, are plenty. They can play their role effectively as long as overall arrangements can be made to use such funds rationally.

3. Appropriations for circulating funds to enterprises and credit funds to banks amount to 3.72 billion yuan, 1.48 billion yuan less than the previous year. These budgeted funds will mainly be used for new enterprises that have gone into operation and as certain special reserve funds. Taking into consideration the situation of the serious overstocking of materials, which leaves a great deal of funds idling, a situation which prevails in various enterprises at present, the necessary funds for the increase of production in enterprises should be obtained by improving management, reducing overstocking of material and tapping the potential of existing funds.

4. Expenditure for aid to rural people's communes and other operating expenses for agriculture total 7.74 billion, 1.27 billion yuan less than the previous year. Added to this are 6.66 billion yuan for the countryside from capital construction investment, circulating funds and rural relief funds, and another 2.40 billion yuan in agricultural loans; thus, the total amount earmarked for agriculture in 1980 comes to 16.8 billion yuan, which is not a small figure.

5. Allocations for culture, education, health work and science amount to 14.83 billion yuan, an increase of 1.62 billion yuan as compared with the previous year. To accelerate the development of education and science constitutes the key in realizing the four modernizations. At the same time, there are many debts from past years. It is necessary to increase expenditures in these fields. Funds have been duly increased this year within the limit of the state's financial resources. However, owing to the limited financial and material resources in the country, we still need to solve some of the problems step by step.

6. Expenditure on national defense and preparations against war account for 19.33 billion yuan, 2.94 billion yuan less than the previous year.

7. Administrative expenditures amount to 5.78 billion an increase of 90 million yuan, compared with the previous year.

8. Development funds to economically underdeveloped areas will be 500 million yuan. This year's budget for the first time provides such funds for the purpose of boosting production mainly in the old revolutionary base areas, remote border areas, autonomous localities inhabited by minority nationalities and places with a rather poor economic foundation.

9. The general reserve funds come to 1.88 billion yuan.

10. Payments on the principle and interest for foreign loans account for 2.17 billion yuan. The foreign loans are those made in previous years under the unified state plan for the import of technology and equipment. Under the contracts, the principal and interest will be paid back by the state starting this year.

Foreign loans owed by China's state financial institutions will come to $3.4 billion by the end of 1980, after the matured principal is deducted. In order to achieve the quickest possible economic results from foreign loans, we must seriously strengthen planning and management in importing advanced technology and equipment.

This work must be linked, in the coming years in particular, with readjustment of China's national economy and with the elimination of some of its weak links. At the same time, full attention must be paid to the terms and conditions of loans, to China's capacity to manufacture necessary accessories and ability to repay.

Loans to be repaid from the state coffers must from now on be borrowed by the state financial institutions and be included in the national plan. A system of clearly defined job responsibility should be set up and management must be properly strengthened so that the present state of lax management and poor communications can be dealt with firmly.

Deputies, more than 7 months of this year have passed. The implementation of the national economic plan for the first 7 months has been fairly good. The industrial growth rate has exceeded the planned target. The light and textile industry, in particular, registered large margins of increase over the same period last year. In commerce, both purchases and sales are brisk and the market is in good condition. With the gradual increase of the people's income, urban savings have grown by 4.70 billion yuan, compared with the 1979 year-end figure.

China has also done well in revenue and expenditure from January to July this year. Revenue for the first 7 months was 57.70 billion yuan, or 54.3 percent of the budgeted revenue for the year, and expenditures came to 58.26 billion yuan, or 51 percent of the budgeted expenditures for this year. Expenditure exceeded revenue by 560 million yuan.

According to the pattern prevailing over the years, most expenditures fall in the second half of the year, especially in the 4th quarter. In addition, those factors that will reduce this year's revenue, such as the retainment of portions of profits by enterprises, wage increases for staff members and workers and cotton price adjustment, will mostly make themselves felt in the remaining months. We must therefore on no account relax our efforts in the coming months just because we have done well in the previous 7 months. Still greater efforts are needed to increase our revenue, cut down expenditures, narrow the budget deficit and fulfill the whole year's financial task.

III. The State Budget Estimate for 1981

1981 is the first year of China's Sixth 5-Year Plan for national economic development. On the basis of continued economic readjustment and development of production, the state finance must be arranged in accordance with the established principle and policies of the state and the national economic plan for 1981. Revenue and expenditure must be arranged rationally to promote coordination among various undertakings and to improve the people's livelihood. In the wake of a reduced deficit in 1980, we must make further efforts to cut financial deficits in 1981 in order to lay a foundation for a stable and balanced finance. In coordination with the economic structural reform, efforts must also be made to continue the state financial and tax reform and the reform of the financial system of the enterprises and to raise the level of financial management to meet the needs of the four modernizations.

The estimated revenue for 1981 will be 115.46 billion yuan, while the estimated expenditure will amount to 120.46 billion yuan. Expenditure will exceed revenue by 5 billion yuan. This budget estimate includes foreign loans, capital construction funds to be borrowed from abroad and payments on the principle and interest for foreign loans.

The estimated revenue for 1981 is up 9.17 billion yuan, compared with the 1980 figure. This estimate is made on the basis of the expected growth rates of industry and agriculture. It also takes into account the expected increase in enterprise income following a reduction in production cost and the tapping of potential. The total revenue includes 49.62 billion yuan enterprise income, 59 billion yuan tax income, 2.10 billion yuan collected by the central government as the primary depreciation fund for enterprises and 240 million yuan from various other sources of income.

The estimated expenditure for 1981 is up 6.17 billion yuan compared with the 1980 figure. This estimate is based on the need for continued readjustment of the national economy. It includes 37.58 billion yuan for capital construction appropriations; 2 billion yuan as additional appropriations for enterprise circulating funds; 6.70 billion yuan for technological transformation to tap enterprise potential and for research and experiment with new products; 8.8 billion yuan as aid to rural people's communes and funds for various agricultural undertakings; 16.95 billion yuan as appropriations for culture, education, health work and science; 20.17 billion yuan for national defense and preparations against war; 6.06 billion yuan as administrative expenditure; and 2.60 billion yuan as general reserve funds.

The above estimate shows a larger increase in revenue than in expenditure and hence a smaller budget deficit. But despite the smaller increase in expenditure for 1981, the state still plans to appropriately increase the income of scientific research, education, medical and government workers who receive little or no bonus; to arrange work for several million people awaiting jobs; and to further improve the livelihood of urban and rural people.

As the Sixth 5-Year Economic Plan is still under compilation, the state budget estimate will undergo necessary changes in accordance with the completed 5-year plan. A new estimate will be submitted to the NPC Standing Committee for consideration if it involves fairly great changes.

Here I would like to go into the question of China's financial reform in particular.

The collection and distribution of funds must be in line with the reform of the economic system. At present China is reforming its economic system step by step in accordance with the principle of combining market regulation with state planning. It is giving more decisionmaking power to the enterprises, organizing various forms of economic integration and promoting competition under the guidance of state planning. Reform of the financial system started in 1978. In the second half of 1978 an enterprise fund and workers reward system was instituted in state enterprises. In 1979 a number of state enterprises began to experiment with the system of retaining a share of the profits; a number of capital construction units began to experiment with the system of using bank loans instead of state appropriations; a number of administrative establishments began to experiment with the system of assuming responsibility for their administrative outlays; and the state farm and land reclamation enterprises began to experiment with the system of assuming financial responsibility on the basis of fixed quotas. Adjustment and reform were also carried out in agricultural, industrial and commercial taxes the same year. In 1980, reform of the financial administration system was started and reform of the taxation system was tried out. Generally speaking, these reform measures have aroused the initiative of all quarters concerned. Their results are good. However, the measures are only preliminary. We shall continue to proceed with reform in the coming years and shall coordinate the reform of the financial system with that of the entire economic system.

Within this and the next year, we will attend to the following three reforms:

1. The reform of the financial system.

Beginning this year, a particular system of assuming sole responsibility for an assigned task on the basis of a fixed quota has been implemented in Guangdong and Fujian. A system of "divide areas according to revenue and assume sole responsibility for an assigned task on the basis of various grades" has been carried out experimentally in other provinces, municipalities and autonomous regions.

That is, the practice of "eating from the same pot" has been changed to the practice of "eating in different dining rooms." Places with greater revenue are allowed to spend more, while places with less revenue can only spend less. They make their own arrangements to achieve a balance of revenue and expenditure. In national minority autonomous regions, such as Xinjiang, Ningxia, Nei Monggol, Xizang and Guangxi and in Yunnan, Guizhou and Qinghai Provinces, the original preferential treatments will be retained with subsidies from the central authorities to be increased by 10 percent every year. In 1981, efforts must be made to sum up our experience and improve the above-mentioned new systems on the basis of their implementation.

2. The reform of the enterprises' financial system.

In 1980, the system of leaving a share of the profits with state-run enterprises has been implemented on a trial basis in 6,600 industrial and communications enterprises. This system will be promoted in an all-round manner in 1981. From the latter half of this year, the state will charge the state-run enterprises for the use of circulating funds given them by the state. From 1981, the state will charge the state-run enterprises on a trial basis for the use of fixed funds so as to encourage the rational use of state assets. From 1981, except for administrative establishments and units and a few capital construction projects, the practice of changing the system of state appropriations to that of bank loans in making capital construction investments will be promoted in an all-round manner. On the basis of the situation in the development of joint enterprises and their business characteristics, efforts must be made to study and formulate a financial system for such enterprises.

3. Reform of the tax system. In 1980, we shall enact laws to begin collecting income taxes from joint ventures using Chinese and foreign investment and individual income taxes and do a good job at tax collection involving foreign nationals. Increment taxes will be collected on a trial basis for the machinery, agricultural-machinery and other trades, and the problem of duplicate taxation on some industrial products should be solved. It is also necessary to revise the law on income taxes for collectively owned enterprises in cities and towns to even out and properly reduce their heavy tax burdens and enhance the development of the collective economy. Beginning in 1981, experiments will be conducted in more state-owned enterprises to collect income taxes instead of turning over profits to the state, and income regulation taxes and natural resources taxes will be collected as appropriate.

As the above-mentioned reforms, especially the reform of the tax system, concern income distribution and various aspects of the economy and involve important policies and many areas, it is necessary to conduct careful investigations and studies and to carry out experiments. The reforms should be coordinated and brought into line with the reform of the economic system as a whole. We should carry out these reforms to meet the requirements of economic development, working actively and in a safe and reliable way.

IV. Make Vigorous Efforts To Increase Production and Practice Economy, Oppose Extravagance and Waste, Increase Economic Results and Strive To Fulfill the Financial Tasks of the Current and Next Year.

The present political and economic situation throughout the country is very good. Through more than a year's intense work, the ideological, political and organizational lines established since the 3d Plenary Session of the 11th CCP Central Committee are being implemented thoroughly, and the readjusting and restructuring of the national economy have developed smoothly and already achieved marked results. However, at present there still are certain weak links in financial and economic work.

There still are quite a lot of losses and waste in various areas. And there still are very great potentials for increasing production and practicing economy. To fulfill the financial tasks of the current and next year, we must organize and mobilize the cadre and masses to pay still greater attention to increasing production and practicing economy, oppose extravagance and waste, make vigorous efforts to increase economic results and bring about a steady and coordinated development of the national economy.

Production is the foundation of finance. Vigorously promoting production to increase both production and income is an important guarantee that the financial tasks of the current and next year will be fulfilled. At present, in quite a number of enterprises, the phenomenon of high consumption, large waste, heavy losses and low profit is still quite common. The tax and profit per 100 yuan of sales provided by state-owned industrial enterprises was 25 yuan in 1979, which was a drop of 16 percent from the 30 yuan in 1965. In the first half of this year, industrial enterprises still sustained a total deficit of 1.4 billion yuan, and this should be quickly eliminated. From now on, in both industry and agriculture, success or failure must be measured by the achievement and magnitude of economic results. We must proceed from actual conditions in everything we do, build on our strong points, avoid our weak points and use our manpower and material and financial resources in areas where they can produce the greatest results. Every enterprise must fully tap its own potentials, open all avenues for production according to the requirements of state plans and guarantee that the tasks assigned by the state to increase production and income will be fulfilled. It is necessary to continue to adhere to the policy of giving priority to light and textile industries in the supply of raw and other materials, fuel, power and so forth, to ensure that the light and textile industries will produce more and better products for the markets and that market prices will be kept basically stable. It is necessary to actively adopt measures to reduce energy consumption and fulfill the targets set by the state for saving energy. It is necessary to actively develop foreign trade, tourism and various service trades and to make serious efforts to do good work in the area of overseas remittances. It is necessary to mobilize the broad masses to strengthen enterprise management, strengthen economic accounting, further reduce costs, increase profits and make greater contributions to the state.

In addition to exercising strict control over the scope of capital construction, our efforts to enhance the effectiveness of investment are of great significance to the acceleration of production and construction. During the first 5-year-plan period, a large- or medium-sized project usually could be completed in 4 to 5 years. Today, the completion time averages over 10 years. Some trades could earn back what they invested in 3 or 4 years during the first 5-year-plan period; now it takes 8 years or more on an average. The turnover of some completed projects to users is long delayed, while others cause losses and deficits after they are put into operation. We have only 20 years before the end of the century. How much can we accomplish and how can we obtain money for the four modernizations, if it takes 10 years to complete a large or medium-sized project, if it takes more than 8 years to earn back what we have invested in it, and if the state even has to subsidize it for losses and deficits after it is put into operation? We should seriously draw lessons from the stark fact that our capital construction has been spread over too many projects and that it was wasteful and economically ineffective. We should be determined to stop any projects for which we do not have the conditions or do not have an urgent need. We should use our limited financial and material resources on projects that are the most necessary and that can yield the best economic results. We need to enact a law for examining the results of capital construction investment and for enforcing capital construction discipline. It should stipulate that feasibility must first be studied before the start of any capital construction projects, including those using foreign capital to import advanced technology and equipment.

It should stipulate that the best construction plan be selected from among several plans and that it must be executed in accordance with capital construction procedures. We should investigate and affix economic responsibility for poor results of investment caused by someone's irresponsibility, or for major losses and waste in the course of construction. Those who are to blame should be punished according to discipline or even law and they should not be allowed to get away with it.

The circulating capital of enterprises must be used with careful calculation and strict budgeting and efforts must be made to improve its economic results. In 1979 and the first half of 1980, we saved a large amount of capital funds as a result of faster enterprise capital turnover. Generally speaking, however, we are still tying up too much capital, large quantities of material are being kept too long in stock and our losses and waste are serious. For every 100 yuan in income from sales, an industrial enterprise needed a circulating capital of 33 yuan in 1979, or 8 yuan more than in 1965. Rolled steel and mechanical and electrical products are overstocked more and more, although we keep calling for a reduction of overstocking every year. At present, the mechanical and electrical products in stock have increased, worth more than 60 billion yuan; while rolled steel in stock approximates 20 million dun. Some commercial departments are tying up a large amount of capital in large quantities of overstocked commodities. While they are being asked to check their assets, they should also take action to play their role regarding market regulation, dispose of overstocked goods and circulate their material and capital. Commercial departments should circulate commodities according to economic regions in order to minimize intermediate links, lower circulation costs and speed up capital turnover.

We should continue to practice economy and oppose waste in the nonproductive field. Since the beginning of this year, various localities, departments and units have begun to yield good results by implementing the circular issued by the CCP Central Committee and the State Council on "saving nonproductive spending and opposing waste." Many good examples have since emerged. However, waste and extravagance still exist in some enterprises, institutions, government and mass organizations and troop units. Some of them still take advantage of foreign affairs activities to waste state funds by buying expensive consumer goods. Some leading cadres have not yet completely stopped abusing their authority to seek personal privileges. We should continue to adhere to the guidelines of the document issued by the CCP Central Committee and the State Council and further carry forward the fine traditions of building up the country through thrift and hard work. We should streamline administration step by step in a planned way, exercise strict control of purchases by mass organizations, strive to save on nonproductive spending and firmly improve the present situation of overstaffing and low efficiency.

To do a good job of increasing production and practicing economy, to oppose waste and extravagance and to raise the efficiency of our economic work, we must effectively strengthen financial supervision and strictly enforce financial and economic discipline. In April and May this year, we achieved good results by launching a large-scale review of financial and economic discipline throughout the country. Through this review we discovered that some areas, departments and units had wilfully retained state revenues, arbitrarily reduced taxation, willfully raised prices, increased cost and expenses, inflated expenses and arbitrarily distributed cash awards and subsidies. Some of the cases were quite serious. The cause of these problems is the long years of interference and sabotage by Lin Biao and the "gang of four," which brought about a relaxation of party discipline and a weakening of the concept of a legal system. Moreover, some of our leading cadres tried to do more than their capability permitted. They wanted something done in a hurry. Consequently, they tended to care only for the part and to neglect the whole. We cannot say that this is not a major cause of these problems.

To strengthen financial and economic discipline, we must first of all foster ideas of doing what capability permits among leading cadres, of instilling in them the idea of coordinating all national activities as in a chess game and of strengthening their concept of the whole situation. Leading cadres at all levels must draw a lesson from the Bohai No 2 oil rig accident, improve their work, set an example for respecting science and laws and take the lead in implementing various financial and economic systems. Leading cadres must investigate and sternly handle cases of violating financial and economic discipline and must see to it that all must obey the law. Laws must be strictly enforced and violators of laws prosecuted. Under no circumstances should leading cadres tolerate violators of laws under the pretext of "do not do it again next time" because this actually means "you can do it again next time," and second and third violations of laws and discipline will then follow one after another. Leading cadres should encourage financial taxation and financial accounting personnel to do their duties and work boldly; they must support those comrades who have been attacked in revenge because of their upholding principles, point out the real problems and must strictly punish those who attack others for revenge. This is to promote righteousness and deal blows at bad practices.

All NPC deputies, the present political and economic situation in our country has provided a very favorable condition for the realization of the national economic plans and the national budgets for 1980 and 1981. Although there are still difficulties in the way of our advance, the prospects for development are good and it is completely possible to bring about a stable economic growth and to gradually achieve a financial balance. Under the leadership of the CCP, let us closely rely on workers, peasants and intellectuals of all nationalities throughout the country, as well as on various democratic parties, patriotic personages and patriotic Overseas Chinese, emancipate our minds, seek truth from facts, work with one heart and one mind, unite as one and strive to fulfill our financial tasks for 1980 and 1981 in a still better way.

PENG ZHEN'S NPC STANDING COMMITTEE WORK REPORT

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[Report by Peng Zhen, vice chairman of the NPC Standing Committee, on the work of the NPC Standing Committee, as approved by the 15th meeting of the 5th NPC Standing Committee on 26 August 1980--an earlier report indicates that Peng Zhen presented this report at a plenary meeting of the 3d Session of the 5th NPC on 2 September 1980]

[Text] Beijing, 13 Sep--Deputies:

Entrusted by the NPC Standing Committee, I will now make a report on the work of the Standing Committee since the conclusion of the Second Session of the Fifth NPC. An important task of the NPC Standing Committee is to strengthen legislative work and improve socialist democracy and the legal system. Over the past year and more, the following major tasks have been accomplished:

1. Adoption of a resolution on the validity of laws and decrees enacted since the founding of new China, reaffirming that all laws and decrees enacted since the founding of new China remain effective except those that are contrary to the constitution and the laws and decrees formulated by the Fifth NPC and its Standing Committee.

Roughly over 1,500 state laws and decrees and administrative regulations were promulgated in the 17 years since the founding of new China. Many of these are still applicable or basically applicable today.

On the one hand, reaffirming their validity solidifies the people's legal front under the leadership of the proletariat and enables us to use these existing laws as a weapon to protect the people's democratic rights, carry forward socialist democracy, strengthen stability and unity, maintain social order and insure the smooth progress of socialist modernization; on the other hand, it enables us, at a time when we are faced with a heavy workload and a manpower shortage in law-making, to concentrate our efforts on formulating the laws we need most but have not formulated in the past, especially laws on economic matters. This is an important measure for improving the socialist legal system.

Generally speaking, the laws, decrees and administrative regulations promulgated in the past fall into three categories. Laws in the first group automatically lost their validity after having fulfilled their historical mission in the course of historical development such as the land reform law and the temporary regulations on privately run enterprises. Some of them have been superseded by new laws. For instance, the electoral law formulated in 1953 and the organic laws concerning the people's court and the people's procuratorate formulated in 1954 have been replaced by corresponding laws formulated by the Second Session of the Fifth NPC. Laws in the second group are still applicable or basically applicable but need minor revisions or supplements. Laws and decrees in this category are numerous and include regulations on the treatment and punishment of social order violators [zhi an guan li chu fa tiao li 3112 1344 5710 5000 2742 0173], the decision on the problem of reeducation through labor, regulations on awards and penalties for working staff of state administrative organs (temporary), the organic rules for urban resident committees, and so on. Laws in the third group must fundamentally be revised or abolished but they are comparatively few. As to which laws are still applicable and which ones should be revised and supplemented, we must make a great deal of investigation and study before we can make a decision in line with present conditions. The NPC Standing Committee and the State Council and its subordinate organs are reviewing them and sorting them out accordingly.

2. Approval of a decision on direct elections at the county level.

Direct elections at the county level were stipulated in the electoral law adopted at the Second Session of the Fifth NPC. This represents a major reform in the building of organs of political power in China. Direct elections at the county level are the basis for electing organs of political power above the county level and an important foundation for democratic centralism. Holding direct elections at the county level enables the people to exercise direct control over the county people's congress. The county people's congress will elect its Standing Committee, the county people's government and deputies to the people's congress at the provincial level. The provincial people's congress will elect its Standing Committee, the provincial people's government and deputies to the National People's Congress. Thus, through the people's deputies, the people's congresses and their Standing Committees, and the people's governments, the 900 million Chinese people can manage state affairs and master their destiny and the destiny of the nation and the state.

We had some experience with elections in the past but there was a 10-year gap when we held no elections. Summing up past experience and lessons and carrying democracy further forward, the new electoral law stipulates that the CCP, the democratic parties, and the people's organizations may jointly or independently nominate their candidates; that any elector or representative of electors is entitled to nominate candidates provided the nomination is seconded by at least three persons; that the number of candidates should be greater than the number of deputies to be elected, which means elections based on differences in numbers [cha e xuan ja 1567 7345 6693 5282] that the official list of candidates should be determined after repeated discussions and democratic consultations by the electors or their representatives and, if the number of candidates is too large, by preliminary elections according to the opinions of the majority; that the electors may vote for or against the candidates, elect any other elector or abstrain; and that the electors may recall, dismiss or replace any deputy they have elected or any state cadre they have appointed. These stipulations are made to ensure the people's free exercise of their rights to elect and to recall. They are an important guarantee for the people to be the masters of the state and manage state affairs.

At present, many cadres and people are not quite familiar with these procedures of socialist democracy. Particularly, owing to the pernicious influence of the fascist dictatorship imposed by Lin Biao, Jiang Qing and company and of the tremendous feudal vestiges, some cadres, including some leading cadres, lack understanding of socialist democracy. Having no democratic habits, they think democracy and elections troublesome and even say "elections, elections, they are entirely unnecessary." In experimental elections held in selected places, local leading cadres in some places unexpectedly crossed out or replaced the candidates who were lawfully elected by the people but who were not liked by the local leading cadres. They even declared the elections null and void and so on. To truly implement the electoral law, guarantee the people's exercise of democratic rights and make direct elections at the county level successful, it is necessary to conduct universal propaganda and education among the cadres and the people on socialist democracy and the legal system and to make good preparations in all fields, including the ideological and organizational fields, and including technical and administrative preparations for the elections. Especially, experimental elections must be held in selected places so that both the cadres and the people may have some experience and that both the leadership and the masses may come to understand from practice what problems may arise in the general elections, what the crux of the problems are, how to solve them and what to do. Without doing so, it would be very difficult to lead the county-level elections well. Therefore, the Fifth NPC Standing Committee decided that during the first half of this year preparations be made in all fields on a continuing basis and more experimental elections be held in selected places, and that during the latter half of this year, county-level elections be universally held in stages, and in groups of counties in order that direct elections at the county level be completed during the coming winter-spring period.

3. On the question of putting the criminal procedure law into effect.

The criminal procedure law instituted by the Second Session of the Fifth NPC was scheduled to be effective January 1980. In the second half of 1979, people's governments, people's courts, people's procuratorates and public security organizations at all levels made great efforts to deploy cadres, strengthen judicial organizations and accelerate the clearing up of long-pending cases left over by history in order to prepare well for the enforcement of the criminal procedure law.

However, because of the sabotage by Lin Biao, Jiang Qing and their ilk, public security organs, procuratorial organs and people's courts were smashed. The organs were unsound, and there was a great shortage of cadres. The few cadres that were available were not familiar with their vocational work. Many long-pending cases still remained in many localities. As a result, it would be very difficult for judicial organs in many places to try cases within this year in accordance with the time limit and procedure stipulated by the criminal procedure law. Therefore, in accordance with the Supreme People's Court and the Supreme People's Procuratorate's proposal, the NPC Standing Committee decided that all criminal cases which were placed on file for investigation and prosecution with no court decision reached before 31 December 1979 should still be handled in accordance with the past policy, regulations and procedures on criminal suits, that all criminal cases accepted and heard after 1 January 1980 should be handled according to the criminal procedure law, and that if there is a shortage of personnel to handle the numerous cases, the deadline for handling them should be extended within 1980 with the approval of the Standing Committees of the provincial and autonomous regional people's congresses and the people's congresses of the municipalities directly under the central government.

To prepare well and create conditions within this year for the overall enforcement of the criminal procedure law next year, the NPC Standing Committee approved a resolution of the question of the plan of enforcing the criminal procedure law. The resolution called for people's courts, people's procuratorates, public security organs and judicial and administrative departments at all levels and other departments concerned to draw up concrete plans in accordance with the actual situation to enforce the criminal procedure law by stages and at different times within this year, with the exception of a few remote border areas where transport facilities are poor and inadequate and the deadline for the enforcement of the criminal procedure law was extended in a proper manner.

The establishment of the lawyer system is an important aspect of the enforcement of the criminal procedure law and a major task to strengthen the socialist legal system. The NPC Standing Committee approved the PRC provisional regulations governing lawyers, but the regulations alone cannot solve the question. We must also strengthen the propaganda and education work on the lawyer system and train a large number of lawyers.

4. The criminal law instituted by the Second Session of the Fifth NPC is an effective legal weapon for cracking down on criminal offenses, protecting the people's rights and safeguarding social order. However, the criminal law is applicable only to the punishment of criminal offenders. To deal with those who often commit petty offenses instead of serious crimes and often disrupt social order--but not seriously enough to be sentenced to imprisonment--or those who violate social security and management and imperil social order, we need corresponding laws and regulations. The NPC Standing Committee approved the State Council's additional regulations concerning reeducation through labor and again promulgated the decision on the question of reeducation through labor and the regulations governing the punishment of social security and management offenders made public by the State Council in 1957.

Affected by such evils as beating, smashing and looting and all kinds of sabotage and disruption incited and controlled by Lin Piao and the "gang of four," many young people have broken the law in a minor way and committed offenses. Neither their families nor the units in those places where these young people live can effectively take care of them. It is necessary to reeducate them through labor or send them to those schools where they must work and study through compulsory or semicompulsory education and reform.

The Commission on Legislative Affairs held a forum attended by responsible persons of the Ministry of Education, the CYL Central Committee and other departments and the responsible persons and teachers of the work and study schools. The forum pointed out that the work and study schools are good means for educating and reforming young people who have committed minor offenses. These schools must adhere to the principle of patiently educating and reforming the young offenders and regard them as "flowers suffering from diseases and insect pests." These schools must be very patient in curing the sickness to save the patient and resolutely oppose any brutal corporal punishment and other practices which violate law and discipline.

To strengthen public order and maintain social peace, it is necessary to mobilize and rely on the masses. In accordance with the Fifth NPC Standing Committee's decision on the validity of laws and decrees published since the founding of new China, the following rules and regulations have been promulgated again: "Organic Rules for Urban Neighborhood Offices," "Temporary Organic Rules for Public Security Committees" and "Temporary General Organic Rules for People's Mediation Committees." The grassroots organizations in urban areas will be restored, improved and strengthened through these rules or general rules. In addition, the masses of people will thus be organized, the ties between the basic-level government and the people will be strengthened and social affairs will be managed by relying on the people. This is an indispensable base for maintaining good social order.

5. Acceleration of economic legislation work to meet the needs of the four modernizations.

After the Second Session of the Fifth NPC formulated the law on joint ventures with Chinese and foreign investment, all sectors expressed the hope that related regulations on the implementation of this law be formulated at an early date. The Commission on Legislative Affairs under the Fifth NPC Standing Committee, the State Council's Administrative Committee on Foreign Investment in China, the State Planning Commission, the Ministry of Finance, banks, the State Labor Bureau, the First Ministry of Machine Building and other departments concerned have held discussions and made joint studies many times. Regulations on matters related to joint ventures involving Chinese and foreign investment have been jointly formulated as a guiding principle for reference in negotiations with foreign firms for such joint ventures. On the basis of these regulations, a series of administrative measures have been further laid down such as regulations on labor management for joint ventures involving Chinese and foreign investment, temporary regulations regarding use of land by joint ventures involving Chinese and foreign investment, registration of joint ventures involving Chinese and foreign investment and so on. In addition, the draft PRC Income Tax Law for Joint Ventures Involving Chinese and Foreign Investment and the draft Individual Income Tax Law of the PRC also have been formulated.

To protect the environment and natural resources and to prevent pollution and other public hazards, the Fifth NPC Standing Committee has approved in principle the PRC Environmental Protection Law (Experimental). This is an important law that guarantees normal production and the people's physical and mental health and that concerns the well-being of posterity.

The Fifth NPC Standing Committee has also approved the PRC regulations on scholastic degrees prepared by the Ministry of Education. This set of regulations stipulates the establishment of doctor, master and bachelor degrees and that these degrees may also be granted through examination to those who claim to possess equal scholastic attainment for whichever degree.

As the four-modernization campaign is progressing, it becomes more and more urgent to introduce economic legislation. Since the Second Session of the Fifth NPC, the State Council and departments concerned have published or are formulating more than 70 economic laws. Currently, reforms of the economic system are being introduced in our country and conditions are constantly changing. Some major reforms are still in the stage of being tested by practice and we are still in the process of accumulating experience. At the same time, we lack experience in economic legislation. Therefore, it takes some time to formulate economic laws. We can only make them step by step after summing up our experience and publish them one by one upon perfection. Later, as the work of economic readjustment and reforms of the system proceed, further efforts have to be made in economic legislation. In particular, the factory law and the contract law must be soon formulated. Legislation regarding culture, education and public health also must be stepped up.

Ours is a socialist country of people's democratic dictatorship under the leadership of the proletariat and based on worker-peasant alliance. The economy under ownership by the whole people and the economy under collective ownership are the mainstay of our national economy while individual economy is auxiliary and supplementary as well as indispensable. For quite some time to come, they all have their superior status in their respective areas. This is determined by our historical condition. Our economic laws and civil law must, in accordance with the policies of the party and state, effectively protect these economies of three different ownerships from being violated. Our laws, decrees and administrative regulations must protect the cooperation and competition among various economic units under the guidance of the economic plan. In this way, they will compete with each other in better service for the people and in greater contribution to society. In this way, the superiority of socialism can be still easier brought into full play.

The civil law and the civil procedural law are both very important fundamental laws dealing with the relations between the state, the collective and the individual and covering broad, complex issues. In the past, many of the civil cases--primarily marriage and family disputes--were handled according to policies and through mediation and consultation. Many of the disputes, particularly economic disputes, involving the parties all under the ownership by the whole people, or two parties one under the ownership by the whole people and one under the collective ownership, or two parties all under collective ownership or three parties one under the ownership by the whole people, one under collective ownership and the third, an individual--all these disputes were handled primarily by administrative organs. Rarely were such disputes submitted to the court for judgement or arbitration. Therefore, we have very little experience in this respect.

The conditions, both subjective and objective, are less favorable in our present drafting of the civil law than in our drafting of the criminal law. We had had 22 drafts of the criminal law by 1957 and 33 drafts by 1963, which incorporated large numbers of judicial judgments and summed up our rich trial experience. In contrast, our civil law has to start literally from scratch.

Last year the Commission on Legislative Affairs set up two groups for drafting the civil law and the civil procedural law. An initial draft of the civil law containing 501 articles and a second draft of the civil procedural law containing 167 articles have been completed. This is only the beginning in drafting these laws. More time is needed to solicit the views of the departments concerned at the national level and the views of the various provinces, autonomous regions and municipalities directly under the State Council, to conduct more investigation and research and to sum up the experience and lessons of the last 30 years. We need to revise these drafts in light of China's history and with reference to foreign law and experience in order to gradually come up with a more sophisticated draft.

The law on family planning is a very important law that should be drafted as soon as possible. The Family Planning Office under the State Council has completed a draft law, which has gone through several revisions and has been discussed by the Commission on Legislative Affairs on many occasions. We originally planned to submit this draft together with the draft marriage law to this congress for consideration. However, because family planning work is still new to us, because there are still many unresolved problems despite the good results and rich experience in our work of recent years and because the draft is not the result of the consensus of all quarters, we decided that the time is not ripe for enacting this law. We therefore did not submit the draft to this congress but merely specified in the revised draft of the marriage law the obligation of both wife and husband to observe family planning and the need to encourage late marriage and parenthood. We shall continue to sum up experiences and solicit views in order to enact the law as soon as possible.

Legislation in China's autonomous areas inhabited by minority nationalities is an important aspect of our effort to build China's socialist legal system. The NPC Nationalities Committee has been actively helping a number of national minority areas do this work.

During the last year and more the NPC Standing Committee also carried out the following tasks in addition to the legislative work:

1. It strengthened its contact with the Standing Committees of the provincial, regional and municipal people's congress and improved its own work.

Pursuant to the provisions of the organic law of the local people's congresses and the local people's governments, the people's congresses of China's 29 provinces, autonomous regions and municipalities have all set up their respective Standing Committees. The people's congresses in some countries that were elected through direct elections also set up their Standing Committees. In the past only the NPC had a Standing Committee; the people's congress at various local levels did not have one. The establishment of Standing Committees by the local people's congresses at and above the county level to take care of the day-to-day work is a major step in reforming the government structure and is of great significance in improving the state institution.

The close contact maintained by the NPC Standing Committee with the Standing Committees of the people's congresses at the provincial levels and by the Standing Committees of the people's congresses at the provincial levels with those at the county level will serve to strengthen the government's links with the masses and to strengthen the mass base of its work. The NPC Standing Committee invited the responsible persons of the Standing Committees of the provincial, regional and municipal people's congresses to attend its 14th and 15th sessions as observers. This seems to be a good way to increase these links. Since the decisions, decrees and laws are always adopted after full consultation and discussion and with as much consensus as possible, their attendance at the NPC Standing Committee means in practice their participation in the NPC Standing Committee's adopting of major state policies and bills.

The NPC Standing Committee also sent the drafts of important laws, such as the PRC citizenship law and the revised PRC marriage law, to the provinces, autonomous regions and municipalities to solicit their views. Thus, through the Standing Committees of the people's congresses at various levels and the people's deputies, the NPC Standing Committee is able to listen more extensively to the views of all parts and all nationalities of the country.

This will ensure that the decisions, laws and decrees adopted by the NPC Standing Committee truly reflect and represent the general will of the people of all nationalities throughout the country and accord with the actual conditions of various localities.

2. Make clear the local people's congress Standing Committees' functions and powers, tasks, work and organs to help promote the work of the Standing Committees of people's congresses at all levels in the localities.

The work of the Standing Committees of all people's congresses at and above the country level is new. The responsible comrades of the NPC Standing Committee and the responsible persons of the Standing Committees of all provincial and autonomous regional people's congresses and the people's congresses of all municipalities directly under the central government held discussions on the question of the functions and powers, tasks and work of the Standing Committees of local people's congresses and the question of the relationship between the Standing Committee of a people's congress at the higher level and that at the lower level. They all pointed out: According to the constitution and the rules of organization of all local people's congresses and people's governments, local people's congress Standing Committees are local organs of state power and are working organs, not organs for "chatting" or "making suggestions." They are organs that have important tasks to fulfill, much work to do, and numerous important issues to decide responsibly. With regard to the tasks, functions and powers of the Standing Committees of provincial and autonomous regional people's congresses and the people's congresses of municipalities directly under the central government, there are four major ones:

First, drawing up and promulgating local laws and regulations in accordance with law. This is a very important function and power. The basis on which laws and regulations are drawn up is the specific situation and actual needs in all localities, but they should not contravene the constitution, law and the central authorities' policy, decrees and government orders.

Second, discussing and making decisions on important items in political, economic, cultural, education, public health, civil administration and nationalities work in their respective administrative areas and discussing and approving the "partial changes of the national economic plan and budget" of their respective areas.

Third, appointing and removing personnel. This is also an important responsibility, and it is essential. The units that submit reports on appointments and removals of personnel are mainly responsible for investigation. However, if reports are found inappropriate or the personnel involved are questionable, the members of the Standing Committees of the people's congresses can disagree and disapprove. In addition, the Standing Committees can exercise the power of recalling or dismissing personnel from their posts. They can recall or dismiss personnel at any time who break law or disrupt discipline or are incompetent. By doing this, we can strengthen the prevention of usurpation of power by bad people like Lin Biao and the "gang of four." We adopt this state system to guarantee state functionaries' political integrity, their competence for their work, their loyalty to the masses' interests and their service for the people as public servants of the people.

Fourth, supervising the work of the people's government, the people's court and the people's procuratorate at their own level. They mainly watch to see whether the above three units' activities violate the constitution, law and decrees and whether they are correctly implementing the specific and general policies of the party and the state.

3. Listen to the reports on the work of the State Council, the Supreme People's Court and the Supreme People's Procuratorate and discuss and decide important issues of the state.

This is an important task of the NPC Standing Committee. Over the past year and more, the NPC Standing Committee listened to the State Economic Commission's reports on the situation in industry and communications in 1979 and the 1980 task, and the State Planning Commission's reports on the implementation of the 1979 national economic plan and the arrangement of the 1980 national economic plan. It also listened to Premier Hua Guofeng's reports on his visit to France, the FRG, Britain, Italy and Japan and the Foreign Ministry's report on Japanese Prime Minister Masayoshi Ohira's visit to our country. In addition, the NPC Standing Committee also listened to the Public Security Ministry's report on strengthening urban security and suggestions for work in the future, the Civil Affairs Ministry's report on the situation in holding direct elections at the county level throughout the country on a trial basis and arrangements for this year's elections, the Supreme People's Court, the Supreme People's Procuratorate and the Public Security Ministry's report on the question of enforcing the criminal procedure law and its plan and the report by the Commission for the Management of Foreign Investment on several questions concerning Chinese and foreign joint venture enterprises. While in discussion, the members fully expressed their views. They gave credit to the achievements and made comments and suggestions on shortcomings and questions in work.

A number of members criticized the phenomena in some localities where prices were raised recklessly and bonuses issued at random. They demanded that the government departments concerned strengthen control over commodity prices, and firmly correct the phenomena of raising prices recklessly and issuing bonuses at random. The members sharply criticized some localities for not working hard to strike at active criminal offenders during a certain period. They demanded that the public security organs, the people's procuratorates and the people's courts adopt effective measures to deal with and punish according to law and as heavily and expeditiously as possible those who have committed an offense of homicide, rape, robbery or arson as well as other criminal offenders who have seriously undermined social order; to safeguard public security in society; to protect the people's rights; and to ensure the smooth development of the four modernizations. Tremendous achievements were made in the past period in safeguarding and improving public security in society. However, there are still many problems and serious problems as well. It is still necessary to continue to pay attention to work in this regard, and restore and maintain public order as soon as possible.

The members put forward many criticisms and proposals to improve the work of the State Council, the people's procuratorates and the people's courts. An important task of the NPC Standing Committee is to supervise the work of the State Council, the Supreme People's Court and the Supreme People's Procuratorate. It is necessary to further step up efforts in carrying out this task.

4. Adopt a resolution to set up additional organs under the State Council, and announce appointments and dismissals of state working personnel. Since the Second Session of the Fifth NPC, the NPC Standing Committee has adopted, on the basis of State Council Premier Hua Guofeng's proposal, a decision to set up the State Council's Financial and Economic Commission, the State Council's Commission for Machine Building Industry, the Commission To Regulate Foreign Investment, the Commission To Supervise Import and Export, the State Energy Commission, the Eighth Ministry of Machine Building, the Ministry of Justice, the Ministry of Geology and others.

On the basis of the proposal made by State Council Premier Hua Guofeng and in order to strengthen the leadership of the State Council, the NPC Standing Committee appointed Zhao Ziyang, Wan Li and Ji Pengfei as vice premiers of the State Council, and relieved Ji Dengkui and Chen Xilian from vice premierships in the State Council. It accepted Wu De's resignation from his post as NPC Standing Committee's vice chairman, and requested the Third Session of the Fifth NPC to subsequently endorse these changes.

It adopted a resolution to increase the number of vice chairmen and members for the Commission on Legislative Affairs. It appointed and dismissed, according to law a number of responsible working personnel of various ministries and commissions under the State Council, ambassadors to foreign countries and the procuratorates and judges of various judicial organs.

For the past year and more, the NPC Standing Committee also carried out foreign affairs activities. Deng Yingchao, NPC Standing Committee vice chairman, led China's NPC delegation to visit Thailand, France and the European Parliament one after another. She submitted a report to the NPC Standing Committee on her tour. The NPC Standing Committee also separately met with the parliamentary delegations, parliament leaders or members from Sudan, Bangladesh, Malta, Barbados, Canada, Thailand, Japan, the United States, Australia and other nations as well as the Japanese judicial delegation visiting China. In addition, the NPC Standing Committee also carried out a great deal of work in handling letters from the people.

The motions adopted by the various sessions of the NPC Standing Committee and motions for appointments and dismissals since the end of the Second Session of the Fifth NPC have already been distributed among the deputies for examination.

This above-mentioned report is the work report of the NPC Standing Committee since the convocation of the Second Session of the Fifth NPC. Deputies: Please check if this work report is appropriate.

Deputies: The NPC Standing Committee adopted a resolution on revising Article 45 of the Constitution, and examined the four draft laws that have been submitted to the session for deliberation.

After serious discussions, the NPC Standing Committee unanimously agreed with the proposal of the CCP Central Committee that in order to give full scope to socialist democracy, strengthen the socialist legal system, maintain political stability and unity and ensure the smooth progress of the socialist modernization program, the original Article 45 of the Constitution that reads: "Citizens enjoy freedom of speech, correspondence, the press, assembly, association, procession, demonstration and the freedom to strike, and have the right to 'speak out freely, air their views fully, hold great debates and write big-character posters'" be revised to read: "Citizens enjoy freedom of speech, correspondence, the press, assembly, association, procession, demonstration and the freedom to strike." The original stipulation contained in the Article 45 of the Constitution about "the right to 'speak out freely, air their views fully, hold great debates and write big character posters'" has been deleted.

Explanations on the four draft laws will be given separately. Here I would like to outline their main contents:

1. The revised draft of the PRC Marriage Law.

The revised draft of the PRC marriage law was made on the basis of the 1950 marriage law.

On the question of the marriage age, the old law stipulated that "a marriage can be contracted only after the man has reached 20 years of age and the woman 18 years of age." The revised draft states that "a marriage can be contracted only after the man has reached 22 years of age and the woman 20 years of age," raising the legal age for marriage by 2 years for both men and women. Most of the provinces, autonomous regions and municipalities as well as the central departments supported the age change, saying that it has taken account of the actual conditions in both urban and rural areas and is appropriate and applicable.

However, some rural areas, especially the minority areas, believed that the age limit is too high and it would be difficult for them to observe this provision. To solve this problem, the revised draft stipulates that certain modifications or supplementary regulations may be enacted by the autonomous areas in light of the actual conditions prevailing among the minority nationalities of those localities in regard to marriage and family relations and in accordance with the majority view. The change in the early marriage custom in the rural areas must be in keeping with the rural economic and cultural development and must be effected on a voluntary basis.

On the other hand, some people in urban areas considered the age limit too low and in contradiction with policy of promoting late marriage and birth planning. Here a clarification is in order. The age limit set by the law prohibits people from marrying before the legal age; it does not say that every man and woman must be married at the legal age. The state has always urged young people to get married at a reasonably late age. Although child bearing is related to marriage, it may be delayed in spite of marriage. The revised draft has added a new article that "husband and wife are duty-bound to practice birth planning" and that "late marriage and child bearing should be encouraged." As long as birth planning is promoted effectively, population growth can be controlled. If birth planning is not promoted, more children will be born to a couple even if they marry very late. In a number of economically developed countries, the legal marriage age is set fairly low. In several West European countries, for instance, the legal age is 15 or 16 for a woman and 16, 18 or 21 for a man. There has been no large population growth; instead, there have been signs of decline in past years.

On the question of divorce, the old marriage law stipulated that if one party firmly insisted on divorce, "the divorce should be granted when mediation had failed." Now the revised draft has changed this article to read "in cases of complete alienation of mutual affection, and when mediation has failed, the divorce should be granted."

Because it is still not a very long time since the feudal marriage system was abolished and because our economic and cultural level is still relatively low, some people are not sympathetic to the party who applies for the divorce and divorce has become a complicated issue. This is reflected in the fact that the courts have been rather strict in handling most divorce cases in past years. Thus, the revision added the condition "in cases of complete alienation of mutual affection." This is in keeping with the principle of marriage at one's free will. It also gives the court the discretion to make a judgment on a broken marriage. The revision is more in accord with current conditions in our country.

In addition, the guidelines of the original marriage law should still be maintained with regard to any marriage in the army. The marriage law stipulates that "if the spouse of an active duty soldier seeks a divorce, it is necessary to obtain that soldier's concurrence." At present fighters usually need to serve in the army for 3 to 5 years. The majority of fighters in military service have not reached or have just reached the legal marriage age. Therefore this issue does not directly affect many of them. However, impact on society and the army are fairly great. Thus, the revised draft has still maintained the guidelines to protect the military family as contained in the original marriage law.

2. The PRC draft Nationality Law.

The major issue in the draft nationality law of the People's Republic of China is the denial of dual nationality. The draft law stipulates: "No dual nationality is recognized for any Chinese national." Specific stipulations have also been duly made in other provisions. This is a clear policy that our nation has always advocated.

Some Overseas Chinese have already acquired foreign nationality in a foreign country. However, they still hope to retain Chinese nationality at the same time. Their feelings are understandable. However, for the long-term interests of Overseas Chinese abroad, for their own convenience to work and live abroad and for relations between China and the nation concerned, it is still better to deny dual nationality. If some are willing to return and reside in China and if they request to have their Chinese nationality restored, it is also easy to solve this problem, because the draft nationality law has provisions on the restoration of Chinese nationality.

3. On the draft Income Tax Law of the People's Republic of China for Joint Ventures Using Chinese and Foreign Investment.

The draft Income Tax Law of the People's Republic of China for Joint Ventures Using Chinese and Foreign Investment stipulates that the tax rate is 30 percent. On top of that, 10 percent local income surtax will be levied on the amount of tax to be paid. Therefore, the actual tax burden will amount to 33 percent (tax rates for joint ventures in the exploration of petroleum, natural gas and other resources will be determined separately If profit is to be remitted abroad, an additional 10 percent of income tax will be levied on the remittance amount. Compared with similar tax rates in other countries, especially in developed capitalist countries, our tax rate is rather low. In permitting and encouraging foreign capital to incorporate joint ventures with Chinese interests in our country, our main purpose is not to collect a little more tax and thus directly add to our revenue, but to import advanced technology and equipment, absorb advanced experience in enterprise management, promote production growth, expand foreign trade and speed up our country's four modernizations program so that we can do better and faster at raising the people's living standards on the basis of increased production. Our country has abundant natural resources, vast territory and industrious and courageous people. We have plenty of labor and a market of very great potential. However, history has left us a rather backward science and technology. Our productive forces are quite undeveloped, and our country and people are still rather poor. Our problem is to adopt various kinds of methods under the socialist system to bring into full play the role of our abundant manpower and material resources, to master advanced science and technology and to accomplish the four modernizations in the shortest possible time. This is a common problem faced by economically backward socialist countries. Lenin long ago proposed the adoption of a lease system in the Soviet Union to deal with it. It is in the interests of the people of all nationalities in our country to attract foreign investment with relatively low tax rates and to make joint ventures using Chinese and foreign investment develop rather quickly in our country.

4. On the draft Individual Income Tax Law of the People's Republic of China.

Individual income tax is collected in the economically more-developed countries in general. Our country has not collected individual income taxes in the past, because our economy is underdeveloped and our national income is rather low and because we have followed a low-wage system. Now that there are joint ventures using Chinese and foreign investment, we have to implement an individual income tax system. The draft law stipulates that individual income taxes will be levied on the part over 800 yuan of any person's monthly wage or salary, whether he is a Chinese or foreign national. The wages of workers and staff in our country have not yet reached this high level. Therefore, they still need not pay income taxes on their wages. In future, anyone whose monthly wage or salary exceeds 800 yuan should pay individual income taxes according to law.

The proposal to revise Article 45 of the Constitution and the four draft laws have been distributed to the deputies to this session for examination to determine if they are appropriate.

JIANG HUA'S SUPREME PEOPLE'S COURT WORK REPORT

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[Report on the work of the Supreme Court delivered by Jiang Hua, president of the Supreme Court, at the Third Session of the Fifth NPC on 2 September 1980]

[Text] Deputies:

The Second Session of the Fifth NPC last year adopted seven major laws, including the criminal law and the law on criminal procedure, indicating that China's socialist legal system has developed into a new stage. Over the past year and more, the Supreme People's Court conscientiously followed the spirit of this session. Thanks to joint efforts made by the huge numbers of judicial cadres and police, considerable progress has been achieved in all fields of work. The majority of the people's courts have basically completed the task of reinvestigating and correcting cases of injustice and are making reviews before closing these cases [jian cha yan shou 2914 2686 7526 2392]. In the struggle against criminal activities, to strengthen peace and order in cities, the people's courts in big and medium-sized cities have tried and judged a number of criminal cases in accordance with the criminal law and the law on criminal procedure, dealing an accurate and timely blow to criminals guilty of such serious crimes against social order as murder, arson, rape and robbery, and thereby protecting the interests of the people and maintaining social order. After sufficient preparations were made, people's courts at all levels implemented the criminal law as of 1 January this year. The results are basically good. In accordance with the resolution of the 14th meeting of the NPC Standing Committee, people's courts at all levels have outlined concrete plans for implementing this year the law on criminal procedure in stages and in groups. The situation is also good. The handling of criminal cases has been adequate in the majority of them. At the same time, a great many civil law suits, appeals and economic cases were handled. In the course of implementing the two laws, the people's courts have been improved ideologically, organizationally and professionally. The people's courts throughout the country have successively absorbed a large number of cadres and strengthened their leading bodies and judicial organs. The higher people's courts and most of the intermediate people's courts have set up courts to handle cases involving economic affairs. In implementing the resolutions of the eighth nationwide conference on the people's judicial work and, in particular, the resolutions of the 3d Plenary Session of the 11th CCP Central Committee, the judicial cadres and police have, after setting things right and emancipating their minds, enhanced their understanding of the rule of law, their confidence in handling cases according to law and their ability to try and judge cases through studying and implementing laws. Studying painstakingly and working enthusiastically and selflessly, they now have a brand new mental outlook. It can be said that with the hard work done in the more than 3 years since the smashing of the "gang of four," the work of the people's courts has been put into the normal course of handling cases according to law and that China's judicial work has entered a new era.

Deputies: During the more than 2 years since May 1978 when the eighth nationwide conference on the people's judicial work was held, a very important task for the people's courts has been to reinvestigate and correct cases of injustice. People's courts throughout the country have done a great deal of work and waged an arduous struggle with very good results. I shall now make a brief report on this task for your review and advice.

During the "Cultural Revolution," criminal conviction cases totaled over 1.2 million. As of the end of June this year, people's courts at various levels had reinvestigated over 1.13 million of them. Of these, over 270,000 were counterrevolutionary cases and over 860,000 were ordinary criminal cases. A total of over 251,000 cases were considered unjust and thereby corrected. They involved over 267,000 persons. Of these, over 175,000 were counterrevolutionary cases involving over 184,000 persons, and over 76,000 were ordinary criminal cases involving over 82,000 persons. Cases of injustice accounted for 64 percent of the total counterrevolutionary cases--in some places 70 or 80 percent--and accounted for 9 percent of the total ordinary criminal cases. The above cases of injustice under the counterrevolutionary category which have been corrected include more than 26,000 cases, involving over 28,000 persons, implicated in the wronged case of Comrade Liu Shaoqi.

In addition, people's courts at all levels have in the past 2 years and more handled over 290,000 appeals of court decisions on criminal cases tried before and after the "Cultural Revolution."

The commuting and correcting of cases of injustice have righted the grievous wrongs of a large number of people persecuted by Lin Biao and the "gang of four." The aftermath has been carefully dealt with, and the difficulties and problems of many victims have been appropriately solved. The CCP and People's Government's policy has warmed the hearts of thousands of victims and has developed their enthusiasm for socialism. They are working hard, studying assiduously and actively contributing to socialist construction. Numerous vivid instances tell us that the reinvestigation and correction of cases of injustice were effective as exposures of and accusations against Lin Biao and the "gang of four's" feudal fascist dictatorship; and that they are an important part of implementing the CCP Central Committee's political line. They play a positive role in healing the wounds brought to the people by the 10 years' turmoil; promoting stability and unity, bringing every positive factor into play and inspiring the people to be dedicated heart and soul to the four modernizations.

The course of the reinvestigation work in the past 2 years and more has not been smooth. It has been carried out in the course of continuously removing interference and obstruction and continuously emancipating minds. At the beginning of the reinvestigation, many judicial cadres failed to emancipate their minds and dared not commute or redress cases of injustice by seeking truth from facts. After holding discussions on the criterion of truth and particularly after implementing the guidelines of the 3d Plenary Session of the 11th CCP Central Committee, the vast number of judicial cadres gradually emancipated their minds, proceeded from realities, adhered to the principle of seeking truth from facts, and corrected their errors in carrying out the reinvestigation work. However, reinvestigation was often criticized and opposed by some misguided people who boycott and oppose the guidelines of the 3d Plenary Session of the 11th CCP Central Committee. They saw reinvestigation work as conflicting with persistence in the four basic principles, and regarded it as "right deviation" and "reversing the verdicts." Some people also blamed reinvestigation for certain law and order problems in society. Some people flagrantly interfered with the reinvestigation and refused to redress some cases of obvious injustice; some people refused to remedy the consequences for the victims. As a result, reinvestigation work by some people's courts was somewhat affected.

Last December, the CCP Central Committee again issued an important directive calling for fulfilling the task of reinvestigation by doing well from start to finish. The directive called for all people's courts to further emancipate their minds, remove obstructions and complete the reinvestigation work, so that people persecuted by Lin Biao and the "gang of four" would never suffer grievous wrongs. This directive inspired judicial cadres and policemen to bravely eliminate interference, and clearly restricted the policy on commuting cases of injustice to a few categories. As a result, the reinvestigation work was carried on more rapidly, and the quality of reinvestigation cases was also improved.

At present the reinvestigation work of people's courts in most parts of China is basically completed and is being checked and accepted. Experience is being summed up and lessons are being drawn. In checking and accepting the reinvestigation work, we have found that in certain areas there still are some reinvestigated cases which should have been redressed, that some of the commuted or redressed cases are still unfinished and that the consequences of many cases have not been appropriately dealt with. In addition, people's courts in a few areas still have not finished reinvestigating some important, knotty cases. We will strive to fulfill the reinvestigation task within a short period, do well from start to finish and never fall short of success for lack of a final effort.

Deputies: The large number of cases of injustice decided by courts during the period of 10 years' turmoil were the serious, evil consequences caused by Lin Biao and the "gang of four," who took advantage of unsound practices of democracy, the imperfect legal system of our country and the influence of feudal traditions and ideas left over by history, and who wilfully trampled on socialist democracy and sabotaged the socialist legal system. These evil consequences are profound lessons we draw from negative experience.

It is imperative to persist in seeking truth from facts and to oppose subjectivism. This is an important lesson drawn from the trial work in 10 years' turmoil.

To achieve the goal of seeking truth from facts, it is first of all necessary to realistically appraise the situation of our struggle against the enemy. Following the basic completion of the socialist transformation of the means of production in China, the scope of dictatorship should become smaller and smaller, although the sabotage activities of all kinds of class enemies sometimes rise and sometimes fall, or rise one after another, and class struggles remain. Because Lin Biao and the "gang of four" wilfully took enemies for comrades and comrades for enemies, artificially created class struggles and vigorously intensified such class struggles, the state of the enemies was greatly exaggerated in making criminal charges. A great many issues among the people were handled as if they were issues between the enemies and ourselves. People were wilfully arrested and sentenced for committing the crime of "launching vicious attacks." Many revolutionary cadres, intellectuals and people were sentenced as counterrevolutionaries. This was the main reason for causing frameups and false and wrong cases.

To achieve the goal of seeking truth from facts, stress must be laid on investigation and study, and on the weight of evidence. We should not be too ready to believe confessions, and it is strictly forbidden to obtain confessions by compulsion and then gave them credence. Lin Biao and the "gang of four" and their followers actively promoted a fascist way of examining people's past records. They decided the nature of a case first, looked for data, wilfully cooked up charges, and vigorously obtained confessions by compulsion and then gave them credence. They even created false cases to cruelly injure people. At that time, the people's courts at all levels were "smashed." Under the pernicious influence of Lin Biao, the "gang of four" and their followers, a number of judicial workers who handled cases failed to judge the accused and assess penalties on the basis of objective facts. Being biased, they judged things subjectively, quoted things out of context, and inflated small matters into serious accusations. As a result, details of the cases were unfounded and innocent people were convicted. Friend and foe were confused, and good people were wronged.

To achieve the goal of seeking truth from facts, it is also necessary to overcome the thinking of fearing the rightist trend, but not the "leftist" trend. Over a protracted period, the judicial front inappropriately opposed the rightist trend with great enthusiasm in the course of many political movements. Many judicial workers were punished, because they were criticized as "right deviationists."

Therefore, the thinking of fearing the rightist trend, but not the "leftist" trend, still prevails in general even today among judicial workers. With this kind of erroneous ideology, they will not be able to proceed from reality and correctly appraise the situation. It will be easy for them to regard erroneous practices or even correct practices as criminal actions and to confuse good people with bad people. Sometimes they pass verdicts against their own will on a number of cases--verdicts that run counter to facts and defy laws--because they fear being criticized as "right deviationists." As seen from the review of various cases during the past 2 years, fear of the rightist trend but not the "leftist" trend was the ideological root in violating the principle of seeking truth from facts and causing frameups and false and wrong cases in judicial work.

In handling cases, the people's courts must correctly enforce state laws and do things in strict accordance with law. This is another important lesson.

During the 10 years of turmoil, Lin Biao and the "gang of four" ran amok against the socialist legal system. People's courts at all levels were "smashed". They were unable to exercise their judicial authority. In passing sentences on criminal cases, particularly cases involving counterrevolutionaries, they failed to judge the accused and assess penalties according to law. Nor did they follow the legal procedure and system. As a result, the demarcation line between the guilty and the innocent was blurred, and many innocent and good people were wrongly convicted. The people's courts have resumed their work one after another, but the situation of people defying laws is still fairly serious. To do things in strict accordance with law, we must persistently ensure the judicial independence of the peoples' courts and abide by laws only. This is an important principle of the socialist legal system. In order to exercise properly the judicial authority given the people's courts by the state, we must resolutely oppose all outside interference and combat the law-defying phenomenon of doing judicial work on the basis of words instead of laws. We must enthusiastically train and bring up strict, impartial and dauntless judges of the people who will not hesitate to die at their posts. It is important that the people's congresses and their respective standing committees, the people's procuratorates, the people's courts at the higher level and the broad masses supervise the judicial work. It is wrong to refuse legitimate supervision under the excuse of judicial independence.

Deputies: Our lesson from the frameups and false and wrong cases boils down to one point. That is: In doing judicial work, we must follow the fundamental principle that we should base ourselves on facts and regard laws as yardsticks. We must earnestly keep in mind this bitter lesson for which we have paid a heavy price; we must strive to raise the judicial workers' ideological level and help them become more competent professionally; we must raise the work of the people's courts to a new high level; and must make fresh contributions to China's socialist modernization!

HUANG HUOQING: SUPREME PEOPLE'S PROCURATORATE WORK REPORT

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[Report on the work of the Supreme People's Procuratorate delivered by Huang Huoqing, chief procurator of the Supreme People's Procuratorate, at the Third Session of the Fifth NPC on 2 September 1980]

[Text] Beijing, 16 Sep--All deputies:

I will now make a brief report on the situation in law enforcement by procurators' offices since the Second Session of the Fifth NPC approved and promulgated the criminal law, the criminal procedure law, the rules of organization of the People's Procuratorate and other important laws, and ask the NPC session to discuss the report.

The Second Session of the Fifth NPC approved and promulgated the criminal law, the criminal procedure law and a few other important laws, and opened a new chapter in building the socialist legal system of our country. According to its rules of organization, the People's Procuratorate is the organ for supervising law enforcement. It has the specified responsibility of safeguarding the socialist legal system and protecting unified enforcement of laws. People's procuratorates at all levels worked very hard for law enforcement. After the conclusion of the Second Session of the Fifth NPC last year, the Supreme People's Procuratorate held a national forum on procurators' work to seriously make preparations for enforcing new laws. Later, people's procuratorates at all levels worked hard to strengthen organizations, provided cadres, adopted a variety of methods to study laws and train cadres, and actively publicized the legal system to deepen the people's sense of the legal system and to develop their enthusiasm for struggle against criminal activities.

In addition, people's procuratorates at all levels, along with public security organizations and courts, selected certain localities with better conditions and enforced the "two laws" there on a trial basis, summed up practical experience and studied the solution to certain questions involved in enforcing the new laws. In coordination with departments concerned, procuratorates at all levels also cleared up a large number of long-pending cases. After making preparations in the second half of last year, all procuratorates laid a foundation for enforcing the "two laws" organizationally, ideologically and vocationally. Since the enforcement of a few important laws in January this year, all procurators' offices have conscientiously enforced the criminal law, the criminal procedure law and the rules of organization of the People's Procuratorate. They have regarded the safeguarding of social order and the smooth progress of modernization as their central task, have promoted their work in an overall way and brought into full play the functions and role which the laws entrusted to the procurators' offices.

Social instability and an increase in crime are two evil consequences of the 10-year turmoil. A pressing task of law enforcement is to punish criminals and safeguard stability and unity. For this purpose, the procuratorates at all levels should first of all assume full responsibility for decisions of arrest and public prosecution. They should also appear at court to do the prosecution work and, in coordination with the public security organs and the courts, deal timely blows to various criminal activities in order to safeguard social stability and protect the people's lives and property.

Particularly since the national urban public security conference last November, procuratorates at all levels have actively participated in restoring social order and have concentrated their forces in dealing blows to murderers, robbers, rapists, arsonists and other criminals who seriously disrupt social order. During the first half of this year procuratorates at all levels have authorized the arrest and prosecution of 84,000 suspects for various crimes, of whom more than 50 percent were suspects in major crimes.

When doing their job, the procuratorates at all levels pay particular attention to the difference between activities that constitute a crime and those that do not, observe the legal procedure and time limit and strive to raise the quality of their work. Thus, over 97 percent of the defendants brought to public prosecution by the procuratorates have been convicted by the courts.

Thanks to the coordinated efforts by the public security organs, the procuratorates and the people's courts to restore urban social order and puncture the arrogance of the criminals, the outbreak of criminal cases has gradually decreased since last April. Social order has taken a turn for the better, the masses have begun to have a sense of security and our efforts to restore social order have begun to produce results.

Practice shows that the criminal law and the law of criminal procedure are effective weapons to punish criminals and protect the people, and are in accord with the current situation and the needs of our struggle. By steadfastly enforcing these two laws, we can gradually perfect the socialist legal system.

The current public security situation is far from stable. The outbreak of criminal cases follows no definite pattern. At times there were many, and at others there were very few. Crimes of a grave nature continue to occur from time to time. Thus, the social security problem is still serious, and we must use the legal code as our weapon to continue our attack on criminals. For this purpose, the Supreme People's Procuratorate held a national conference on criminal procuratorial work last June to exchange the experience on the enforcement of the criminal law and the law of criminal procedure, review past criminal procuratorial work and make future plans. It stressed the need to continue to strengthen social order, to firmly follow the policy of demanding prompt, heavy penalties for major criminals, to always maintain high vigilance, to prepare for a protracted war, to sternly deal blows at criminal activities, and to work hard for a complete turn for the better in social order.

A fairly large proportion of current crimes are committed by young people. This has become a common concern of the whole nation. In dealing with these cases, the procuratorates at all levels seriously carried out a policy of education, remolding and help. In accordance with the relevant provisions of the criminal law, they have tried to arrest and punish only a handful of serious juvenile delinquents while making an effort to educate the majority. They have relied mainly on running schools and centers for work reeducation of juvenile delinquents--rather than on legal sanctions--to try to get most of the young people who have taken a wrong step back on the right road. More importantly, they have strengthened education in law and morality, made proper arrangements for job-seeking young people and carried out a program of "comprehensive treatment" to reduce or eliminate the sources of juvenile delinquency and fundamentally resolve the question of juvenile delinquency and social crime.

In accordance with the principle of mutual coordination and support among the public security organs, the procuratorates and the courts, procuratorates at all levels have started their supervision of the investigation and trial of criminal cases. They have corrected various illegal conduct taking place during investigations and appealed to higher courts on verdicts they considered unfair. Gone are the days when units other than judicial departments could indiscriminately arrest or detain people. They are now held responsible for such illegal conduct.

During the first half of this year, the procuratorates at all levels joined other departments concerned in stepping up rehabilitation of wronged persons and implementation of the party's policy. As a result, stability and unity are further strengthened and the initiatives of most of the people are aroused.

Strengthening judicial supervision over the prisons, detention houses and labor reform units is an important aspect of law enforcement, and is also a key to our current effort to restore social order. Procuratorates at all levels should work together with the public security organs in reorganizing labor reform and labor reeducation work, firmly correcting the practice of relaxed vigilance and undisciplined, illegal conduct, upholding socialist legal principles and practicing revolutionary humanitarianism in order to transform the criminals.

Since China went through a long period of feudal society, feudalistic ideology had a profound influence on its people. On top of this, they were subjected to the sabotage and pernicious influence of Lin Biao and the gang of four. As a result, some state functionaries have no strong sense of democracy and legality and seriously violate the law and discipline. Strengthening the socialist legal system and combating lawbreaking and criminal activities by state functionaries have become important tasks of the procuratorates. In accordance with Article 13 of the law of criminal procedure on jurisdiction, the procuratorates directly handle cases of corruption, dereliction of duty, violation of citizens' democratic rights and other criminal cases specified by provisions of the criminal law. Since the beginning of this year, procuratorates at all levels have started to work in this field. According to statistics of the procuratorates in 24 provinces, municipalities and autonomous regions, there have been over 10,000 such cases this year already, and more than 7,000 have been settled. More than 3,000 cases involved illegal detention, torture, frameups and other activities of a political nature. More than 4,000 cases involved corruption, bribery, major accidents owing to human error, unauthorized felling of forests and other activities of an economic nature.

The above task is arduous and difficult, because there is often great resistance in dealing with cases that involve state functionaries. However, the procuratorates at all levels have upheld the principle of everyone being equal before the law and have actively handled the cases. The higher and lower organs have cooperated with each other and coordinated with departments concerned in overcoming the resistance and obstructions in every case, from the beginning to the end.

Along with the progress of the modernization, there is an increasing, pressing need to combat lawbreaking and criminal activities in the economic field. Among the cases handled by the procuratorates at various levels, many are major cases of this nature. During the first half of this year, procuratorates at all levels accepted 477 cases involving major accidents owing to human error. The capsizing of the Bohai No 2 oil rig under the Ministry of Petroleum and the gas explosion of Jilin's Songshuzhen coal mine are two such major cases. In handling the case of the Bohai No 2 oil rig, we encountered great resistance. However, under the correct leadership of the party and government and the criticism and supervision of the masses and mass media, this case was finally handled in a correct way. The correct handling of this case is a powerful impetus to strengthening government discipline and law and to developing democracy and the legal system.

Cases of corruption account for 43 percent--the highest percentage--of the criminal cases of an economic nature. As many as 89 cases involved embezzlement of more than 20,000 yuan. Some of the economic losses suffered by the state have been recovered in the course of investigating and handling these economic cases. In Henan Province, for instance, more than 1.18 million yuan was recovered between last January and May alone. Our work in this field has a positive effect on safeguarding our legal system in the economic field and on protecting modernization.

People's letters and visits have become an important channel through which the procuratorates receive the people's appeals and charges and by which the people exercise their supervision over state organs. Procuratorates at all levels have generally followed the leading comrades' practice of regularly receiving the people. When the people's letters and visits reveal major cases, the procuratorates would send out investigators with the relevant files to collect the facts in order to seek solutions to the problems and to meet the reasonable demands of the people without delay. According to statistics, procuratorates at all levels received more than 684,000 letters or visits from people in the first half of this year. A total of more than 103,000 people were received, and more than 49,000 letters or visits were handled by procuratorates alone. This work helped the procuratorates discover social trends and the attitudes of the people. The letters and visits provide clues in cases being investigated, expose bad elements and evil doings and help clarify cases in which errors were made.

Deputies: In the excellent situation that has emerged since the Second Session of the Fifth NPC, procuratorates at all levels have on the whole done a good job in enforcing the law, and their work has produced results. However, because the public security organs, procuratorial organs and people's courts were smashed by Lin Biao and the "gang of four," the organs of the dictatorship of the proletariat were seriously damaged, and it is not so easy to bring their work completely back to normal. Especially in rebuilding the procuratorates at all levels, we still are shorthanded, confronted by many difficulties, and we have to work under poor conditions. Therefore, we must further strengthen our work, conscientiously implement the NPC Standing Committee's "Resolution on the Plan for Implementing the Criminal Procedure Law," actively create conditions, overcome difficulties and strive to completely take up the task of implementing the criminal procedure law before the end of this year, except in a very few remote border areas where communications are extremely difficult and in unusually complicated cases. Because conditions are special in areas where minority nationalities live in compact communities, and quite different from those in the interior, and the law articles are not all applicable, we suggest that accommodation opinions be solicited for the implementation of the "two laws" in these areas--based on local natural conditions, national characteristics, custom, habits and living conditions as discovered through investigation and studies--to be submitted through channels to the NPC Standing Committee for examination and decision.

The new situation and new tasks now confronting us have made higher demands on procuratorial work. We must further strengthen the building of the procuratorial force. Procuratorial organs at all levels in the country now have more than 80,000 procuratorial workers and can initially take up the tasks given to them by law. However, most procuratorial cadres are new and are not familiar with the work. There is a shortage of backbone personnel to handle cases, and most of them are too old. It is necessary to continue to select a certain number of competent cadres to strengthen the procuratorial work force. Attention should be paid to on-the-job training for existing procuratorial cadres, assiduous study of the law and raising of their performance level. It is especially necessary to organize the cadres to take part in actual work so that they will learn while working and temper themselves and gain experience in actual struggle. We must also pay attention to strengthening observation and understanding of the procuratorial cadres, train and select outstanding middle-aged and young cadres in a well planned way and strengthen the leadership at various levels so that more younger, knowledgeable and professional people will become leading members in procuratorial organs, and a strong procuratorial cadre force will be built up step by step.

To meet the requirements of the new situation and new tasks, procuratorates at all levels must adhere to the principle of independently exercising their functions and powers, strictly enforce and observe the law, and wage resolute struggles against all law violations and criminal acts. It is necessary to go out and take the initiative to handle cases, instead of sitting back and waiting for cases. It is necessary to go deeply into the realities of life and among the masses, pay attention to investigation and study, insist on seeking truth from facts, correctly use the law as a weapon, accurately and promptly strike at the enemies, punish the criminals and protect the people. It is necessary to correctly recognize the situation, carefully study new conditions, solve new problems, sum up new experiences, improve various work systems and work in a penetrating and meticulous way. Through study and practice, let us raise our consciousness in earnestly enforcing the law and safeguarding the modernization program, push procuratorial work forward and make new contributions. If there are inappropriate points in the foregoing report, I ask the deputies to please criticize and point out the mistakes.

HUA GUOFENG'S SPEECH AT 7 SEPTEMBER NPC SESSION

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[Hua Guofeng's speech at the Third Session of the Fifth NPC on 7 September; Beijing XINHUA Domestic Service in Chinese at 0703 GMT on 14 September, in its program preview, identifies the speech as text--passages in all capitals denote boldface in transmission]

[Text] Beijing, 14 Sep--Deputies, the present NPC session has been going on for 9 days. Entrusted by the State Council, Comrades Yao Yilin and Wang Bingqian have delivered reports on the national economic plans, and on the state budget and the final state accounts, respectively. Comrades Peng Zhen, Jiang Hua, Huang Huoqing, Wu Xinyu and Gu Ming have respectively given reports or explanations of the work of the NPC Standing Committee, the Supreme People's Court and the Supreme People's Procuratorate and on several draft laws. I am now going to express some opinions primarily on the work of the government.

On planning and finance, people hold that the economic growth and various economic quotas set for 1980 and 1981 in the report on planning are comparatively appropriate and will be conducive to achieving better economic results. The financial report explains the causes for the financial deficit in 1979 and for the financial deficit in 1980 and 1981 and comes up with measures for further reducing and eventually eliminating financial deficits. People hold that it is possible to gradually restore a balance between revenues and expenditures through effort.

Efforts have been made so that both the national economic plans and the financial revenue plans for this year and the next are geared to actual circumstances. However, it is still necessary for all workers, peasants, PLA commanders and fighters, intellectuals, cadres and patriotic personages of all nationalities throughout the country to make concerted and vigorous efforts to realize them.

Since last year, serious natural disasters have occurred or are occurring in some areas of our country. Here I extend my cordial regards to the elders, brothers and sisters in these disaster areas and to the cadres, masses, and PLA commanders and fighters who have heroically done relief work and rushed to deal with the emergencies. Like you deputies, I believe that people throughout the country can certainly overcome these difficulties and other temporary difficulties caused by the natural disasters and score new brilliant achievements on the road ahead.

During the past few days of discussions deputies have also affirmed the achievements and pointed out existing problems in the work of the government and in work in other fields over the past year and more, and have made many important criticisms and suggestions. On behalf of the State Council, I thank you deputies from the bottom of my heart for your trust in the government. The State Council and the departments concerned should seriously study the criticism and suggestions made by deputies and make vigorous efforts to do what should be done and to correct what should be corrected.

The last session of the Fifth NPC was held 1 year or so ago. Since then the stress of work of the whole nation has been gradually shifted to socialist modernization. The handling of many political and social problems left by history is continuing. The stable, united and lively political situation continues to consolidate and develop. Although there are still many problems that need to be noted and resolved, the political and social environment required for modernization is basically fine.

Thanks to the joint efforts of the public security, judicial, educational, and ideological and cultural work departments, the Youth League and the society as a whole, the order in our society has become more stable and a gratifying progress in our moral practices has also begun to appear. On this basis, government departments at various levels have begun to concentrate their main energy on economic construction, researching the new situation, resolving new problems and making solid strides on the road of probing specific measures for realizing our country's socialist modernization.

New conditions have emerged in our national economy after more than one year of readjustment, restructuring, consolidation and improvement: The relations among major sectors of the economy are gradually becoming harmonious; agricultural production which remained backward for a long time began to take a turn for the better in the past 2 years; the growth rate of light industry is now faster than that of heavy industry; heavy industry has shown progress in readjusting the commodity structure and in serving agriculture, light industry and the people's livelihood; state financed capital construction is now under control; the accumulation rate which used to be too high is beginning to slow down; and the living standard of the majority of the people in urban and rural areas is somewhat improved.

Preliminary reforms have been carried out in the economic system: the decisionmaking right of rural communes, production brigades and production teams is guaranteed; industrial and commercial enterprises' authority over their own management has been expanded; the principle of regulation through planning combined with regulation by the market has been implemented in some areas; competition and joint operation among enterprises within the limits allowed by socialism is being encouraged; development of the collective economy in towns and cities is being given assistance; legitimate individual economy in urban and rural areas is allowed to exist and, to a limited extent, develop; and the two-tier financial system--at the central and local levels--has been put into effect. These things have changed the overcentralized situation in production, circulation and distribution and, as a result, the entire national economy has been stimulated.

Progress has been achieved in enterprise consolidation: The leading bodies of many enterprises have been adequately staffed and strengthened; democratic management prevails in enterprises; all technical and economic targets are being better fulfilled; the number of enterprises running at a loss due to mismanagement is decreasing; and fairly good achievements have been made in creating greater social wealth with a smaller labor force and less material consumption. Many areas, departments and enterprises have strengthened their control over cadres and the training of technical personnel and production workers. They have carried out education in economic management and scientific and technical education. In some places, technical renovation and innovation centered around energy conservation have started. The enterprises' organizational management and technical level have improved. All these are preliminary steps; we must unswervingly continue these efforts.

The proposition and implementation of the principle of readjustment, restructuring, consolidation and improvement signals the beginning of a fundamental change in the governing concept of our economic construction work. For a long time in the past, a left-deviationist tendency prevailed in many aspects of our economic work. We departed from the basic principle of Mao Zedong Thought, divorced ourselves from reality, flouted objective laws and blindly went after and rashly set high targets. As a result, investment in all sectors of heavy industry, with the exception of energy and transportation, was too high and capital construction was overextended, resulting in low speed and efficiency. Thus, development of energy, transport, agriculture, light industry, commerce, science and technology, culture and education, and the improvement of the people's living standard were seriously impaired and even the environment and ecological equilibrium were damaged.

We imposed excessive and too rigid controls. This inhibited the initiative of grass-roots administrative offices and the masses of workers and obstructed the smooth flow between the various links in production and circulation.

There are also many serious defects in investment methods in sharing the earnings of industry, in labor management and in the principles of distribution. In some cases, we were encouraging waste not thrift, slipshod and not quality products, backwardness and not advancement, and laziness and not industriousness. All these hampered our efforts to bring into full play the superiority of socialism and even distorted the basic principles of socialism. Fundamentally speaking, implementation of the principle of readjustment, restructuring, consolidation and improvement means eliminating the influence of left-deviationist thinking in our economic work and carrying out the principle of starting from reality, seeking truth from facts and suiting the task to our capability in economic construction, which is a principle of Mao Zedong Thought. Thus all economic activities will conform more fully to objective economic laws. Facts show that the principle of readjustment, restructuring, consolidation and improvement is correct and that it injects new vitality into our economy and propels our economy onto a sound course of development.

For the past year and more, conditions for scientific research work have improved, bringing about a number of important achievements in scientific research. The work of popularizing science has also been strengthened. In education, the quality of teaching in primary schools, middle schools and universities has been raised in general compared with past years. A number of reforms have been made in the structure of secondary school education, and secondary vocational schools are being continuously restored. The number of TV universities, correspondence universities and night universities are on the increase. New major achievements have been attained in the fields of science, health and physical education. All these achievements are inseparable from the diligent work ot the comrades in the fields of science, education, culture, health, and physical education. For the past year and more, there have been new developments in promoting socialist democracy and a legal system. Based on the four fundamental principles of upholding the socialist road, the dictatorship of the proletariat, the leadership of the Communist Party and Marxism-Leninism-Mao Zedong Thought, the broad masses of cadres and people have emancipated their minds, sought truth from facts, developed the style of daring to speak and conduct criticism, and daring to do things that they had dared not do before, although these were things that needed doing and they were things they had always wanted to do. Many government organs have further strengthened their ties with the masses, paid attention and listened to the masses' criticisms and proposals, and accepted their supervision. The enforcement of the seven laws adopted by the Second Session of the Fifth National People's Congress is playing an important role in bringing into full play the enthusiasm of the people of the whole country for socialism, in striking at criminal offenders, in safeguarding the people's interests and in ensuring the smooth development of the modernization program. To meet the needs for economic development, legislative and judicial work in the economic field is being developed step by step. The State Council and the departments concerned have proclaimed more than 40 economic laws and regulations, and are working out, examining and revising some 20 more. A great deal of work needs to be done in this regard. It is only a beginning at present.

Here, I would like to dwell upon the issues of safeguarding the democratic and economic rights of the people of national minorities and of strengthening unity among all nationalities in particular. Owing to shortcomings and errors in our work--particularly the serious sabotage of the policies on nationalities and religions as well as other related policies of the party and the government by the two counterrevolutionary cliques headed by Lin Biao and Jiang Qing respectively during the 10 years of turmoil--the rights of many minority nationalities for regional national autonomy and their other democratic rights have been trampled on, their economy and culture have been ruined, and the masses have encountered difficulties in their livelihood.

To fundamentally change this situation, the party and the government are adopting a series of practical and effective measures to help the people in these areas have a breathing space, to progress healthily and to earnestly protect their political, economic and cultural rights, particularly their rights for regional national autonomy. All of us firmly believe that by relying on the joint efforts of all our nationalities, we will definitely be able to heal, within a fairly short period, the grievous wounds left from the past and unprecedentedly consolidate and develop the close friendship and unity among our people of all nationalities.

For the past year and more, we have actively carried out our work in dealing with foreign countries, strengthened friendship and cooperation and exchanges in the fields of economy, science and technology and culture with many countries, and enhanced friendly relations between the Chinese peoples and the peoples in various countries. We hoist aloft the banner of opposing hegemonism and safeguarding world peace, support the just struggle of the peoples in various countries, and internationally create favorable conditions for China's socialist modernization program.

Judging from the situation in the political, economic, scientific, technological and other fields and in foreign affairs, we can declare with good reason that thanks to the common efforts of the people of all nationalities, governments at all levels and personalities of all circles throughout the country, the various resolutions adopted and the various policies set forth at the Second Session of the Fifth NPC have been or are being implemented.

The major task for 1980 and 1981, in broad terms, is to continue developing the current favorable situation; to continue implementing the policy of readjusting, reforming, consolidating and improving the national economy; and in accordance with the plans presented by the State Council to this session, to press ahead with the modernizations on the basis of achievements to date. This is a very complex and arduous task. It requires us to do a lot of work and to solve a great many problems.

Now, I would like to express a few opinions on the following five issues for the deliberation of the deputies:

I. THE DRAFTING OF A LONG TERM PROGRAM

To draft a long term plan is a necessary prerequisite for developing a socialist planned economy. Since the founding of the nation, the First 5-Year Plan for development of the national economy worked out after the 3 years of economic recovery was fine from drafting to implementation. The contents of the Second 5-Year Plan were also fairly good. However, it is regretable that owing to the trend of "being boastful," "stirring up a communist wind" and "giving arbitrary directions" in 1958 and the effect of the "antiright deviationist" struggle after September 1959, this Second 5-Year Plan failed to play its proper role. In the several years after 1961, the work of readjusting the national economy was carried out smoothly, and we attained remarkable achievements and accumulated rich experiences. However, no 5-year plans for the development of economy were mapped out. The economy during that period was basically one of recovery. After 1966, the whole national economy, together with work of the State Planning Commission itself were seriously battered by the "Great Cultural Revolution." The necessary reference materials and organs for formulating plans were destroyed. It was almost impossible to carry out planning work. Therefore, only outlines were put forward for the Third, Fourth and Fifth 5-Year Plans during the 15 years from 1966 to 1980. It was impossible to work out complete plans.

As a result, our nation was always short of a long term program for the development of the national economy--an ambitious and well-planned program with clear targets and careful and precise steps that took into consideration both past experiences and situations that could possibly arise in the future and that struck an overall balance. Exerting strenuous efforts, the workers, peasants, PLA intellectuals and the broad masses of cadres in the whole country have overcome various difficulties, done a great deal of arduous work and attained many outstanding achievements during the past 10 years and more. However, in the development of economic construction, there was no way we could implement the correct plans or avoid doing things blindly. Thus, we inevitably suffered some undeserved major losses. Under this situation, it was difficult to demonstrate the superiority of the socialist economic system. There is no doubt that socialism is far superior to capitalism. However, history has substantiated that to give full scope to this superiority, we must have a correct line, principles and policies, and draw up correct long term programs and annual plans under the correct line, principles and policies. Now we have a correct line, principles and policies. To achieve modernization, the mapping out of a long term program or its draft outline has become the order of the day. There are still many obstacles in outlining a long term program under the present conditions. However, we must map out such an outline, because it is our guide for realizing the four modernizations.

In the "Report on the Work of the Government" delivered at the Second Session of this National People's Congress, I had already put forward the necessary supplements and revisions for the outline of the 10-year program from 1976 to 1985. After repeated study, the State Council held that after the smashing of the "gang of four," we adopted a series of measures and did a great deal of arduous work in eliminating chaos and restoring order and brought about the rapid recovery and development of the national economy. At that time, everyone wanted to make up the losses which we had suffered during the 10 years of turmoil. It is necessary to reaffirm this kind of revolutionary enthusiasm. However, the 10-year program outline was made under the influence of conditions prevailing at the time. Difficulties arising from the prolonged sabotage by Lin Biao, Jiang Qing and their ilk and their ultraleft ideology was underestimated. Not enough work had been done to sum up the positive and the negative experiences and lessons in economic construction over the last 30 years. Some targets were too high. The scale of capital construction was too large. Comprehensive balance was lacking for many projects. The deputies raised many correct criticisms of the original draft at this session. However, more than 4 years had already elapsed for this draft of the 10-year program. To revise this draft would be meaningless. Therefore, we decided not to revise the original 10-year program outline, but to start drafting a 10-year program outline for the 1981-1990 period and to draw up the Sixth 5-Year Plan for the 1981-1985 period accordingly.

Drawing a lesson from our past experience, we think that in order to map out a good long term program, we must emphasize the solution of the following several problems:

It is necessary to act according to the objective laws of socialist society. Socialist society will exist for a considerably long historical period. In this period, the existence and development of a commodity economy is an objective reality that is inevitable. Of course, our commodity economy is a socialist and planned one and our enterprises are relatively independent commodity producers. Under the guidance of the unified state plan and within the limits of the principles, policies and decrees of the state, enterprises should have the right to engage independently in such economic activities as production and trade, according to social needs and the law of value. During a specific part of the socialist period, the state-owned economy and the collective economy are the basic forms of the socialist economy, and the individual economy of labor guided by the state is a necessary supplement to the socialist economy. Any change in prolonged coexistence of these economic sectors depends solely on the development of the social forces of production.

One of the salient manifestations of left deviationist thinking in China's economic work in the past was rejection of the need to develop commodity production and commodity exchange and the rejection of the historical role of the prolonged coexistence of the multiple sectors of the economy after the socialist transformation was, in the main, completed. The overly rigid and excessive control of the economic system, the attempt to narrow the scope of socialist commodity economy quickly, instead of expanding it, and the attempt to eliminate the necessary individual economy and to speed up the transition of collective ownership to ownership by the whole people in disregard of the need to expand the social forces of production--these have already done China grievous harm and even now confront the country with many difficulties. While formulating the long term program, we must conscientiously sum up experience and lessons, eliminate the influence of left deviationist thinking, other idealist thinking and metaphysics and act honestly according to the objective law of socialist society.

It is necessary to proceed from reality and work within the limits of our capability. China has a vast territory with an abundance of natural resources, but the natural conditions and economic development in various regions of China are uneven. China has a large population and the Chinese people are diligent, brave and intelligent, but the scientific and cultural level of our people is low. We have developed an independent and comparatively complete economic system of a certain dimension; but our per capita income is very low, our commodity economy is underdeveloped and our technology management is backward. When we draft the outline of the 10-year plan, we must fully consider these salient features of China's natural conditions, economy and culture. We must take full advantage of our favorable conditions, open up more avenues of production and exploit our superior features. At the same time we must strive to overcome our shortcomings and work hard for the prosperity of our country. Whether we are making positive, full and effective efforts or not will, of course, play an important role in deciding how much we can accomplish in the next 10 years and what level we can attain after 10 years. However, we must know that the effects of our efforts have certain limits; that is they are not unlimited, because the conditions that our efforts can rely on, use and create are decided solely by the existing objective reality, not by our subjective wishes. Therefore, after this conference is over, all departments of the State Council and the local governments at all levels will continue to make thorough, systematic investigations and studies of the current national situation of resources--including manpower resources--that can be exploited and explored in the next 10 years, and of the ways to exploit and explore them, so that our 10-year plan can be placed on a scientific and practical basis as far as possible.

It is necessary to pay full attention to the improvement of the people's living standards. The fundamental aim of our modernization program is to gradually raise the people's material and cultural living standards on the basis of the development of production. The State Council should fully consider this when it begins to formulate the draft outline of the 10-year plan.

We closely combine our production development plan with our plan for gradually raising the people's living standards on the basis of the development of production so that 10-year plan outline will be an overall, balanced and complete plan dealing with both economic and social development in China. To raise the people's material and cultural living standards, we of course need to work in many fields. Some work does not seem to be directly relevant to the improvement of the people's living standards, but it actually is indispensable to that improvement. For example, to step up the building of the People's Liberation Army, strengthen the defense of our great motherland and protect our peaceful construction is precisely one such indispensable task. The same is true of certain basic scientific research. All this is not hard to understand. Anyway, we must make the development of production show its effects on the improvement of the living standards of all the people. In this way, people throughout the country will be able to see what developments China can make in its socialist economy and what improvement they can make in their livelihood in the next 10 years, after they take a look at the plan.

Then, they will understand the relationship between the modernization program and their present and future interests and the relationship between the partial and local interest and the general interest. Then, everyone will take the plan as his own undertaking, continue to carry forward the hard-working and pioneering spirit and make all efforts to realize it.

It is necessary to pay special attention to the exploitation of intellectual resources and to make efforts to develop scientific and educational institutions. The level of development of a country is to a great extent decided by the degree of its exploitation of intellectual resources. The modernization of science and technology is the key to the three other modernizations. Scientific research must anticipate the needs of economic construction and be conducted to solve the scientific and technological problems concerning the modernization program, particularly significant key problems. In connection with the management system, economic interests and our ideas and understanding, we should take necessary measures to widely and rapidly popularize and use the results of scientific research. The development of educational institutions of various types and at various levels has a bearing on the scientific and cultural level of those who undertake the modernization program. This includes the level of knowledge, skill, proficiency, discipline, vitality and morality of physical laborers and mental workers in urban and rural areas of our country. It also has a bearing on the development of China's scientific and technological undertakings. While science is a productive force, education, as a means of improving the laborers' knowledge and skills, is also an indispensable productive force. It is impossible to undertake the modernization program by relying on illiterate or semiliterate persons. The governments at all levels and the entire society should pay attention to science and education, respect the teachers of kindergartens, primary schools, middle schools and colleges and scientists for their lofty and arduous work and raise their social position. On 2 September, Ye Shengtao and seven other deputies wrote RENMIN RIBAO a letter. They exposed the mistakes of some workers at two restaurants in Dalian who treated some primary school teacher without proper respect. They sternly criticized those workers and called on people in all walks of life to respect primary school teachers. I completely agree with and support the letter. I hope that government personnel and people throughout the country make concerted efforts to foster a common practice of respecting all teachers and scientists in our society. The neglect, or even the rejection of science and education was an important aspect of the left-deviation which made us suffer heavy losses. We must resolutely correct such mistakes. Therefore, the tremendous importance of science and education to the cause of modernization must be duly reflected in the 10-year plan draft outline. The State Council plans to devote more funds to science and education step by step in the coming decade and hopes that the governments of various provinces, municipalities and autonomous regions will do likewise. We should take various paths to strive to make a faster and better development of science and education and, in the course of time, train generation after generation of healthy laborers with socialist consciousness and scientific and cultural knowledge and skills, and group after group of experts in the fields of science, technology, social science, organization, management, literature and art, who satisfy the demands of the four modernizations.

Family planning should be included in the long-term program. Population is an issue of general concern to the people nationally at present. In drawing up the long term program, we must plan not only on the growth of material production but also on population growth, making the two compatible to each other. For a considerably long period in the past (chiefly in the 1960's), efforts were slackened with regard to family planning. As a result, the population has grown too rapidly, and the trend is continuing. Now people under 30 account for about 65 percent of the population, totalling about 630 million. Some have already reached childbearing age, and most of the rest will reach childbearing age successively in 10 to 20 odd years from now. If population growth is not controlled, there will be an ultrahigh peak, to which the economy and social life as a whole cannot possibly be adapted.

After careful study, the State Council deems it imperative to adopt firm measures on the population issue for the coming 20 or 30 years. That is, except in sparsely populated areas inhabited by the minority nationalities, it should be widely encouraged for each couple to have only one child so that the rate of population growth will be brought under control as soon as possible, striving to limit the total population of the country to under 1.2 billion by the end of the century. It is very common in developed countries for a couple to have only one child, but in the rural areas in our country this indeed will be a big change in prevailing habits and customs. To promote this end, we must rely mainly on publicity and implementing the policies of the party and government and on ideological and political work, and not resort to compulsion and arbitrary orders. It should be pointed out that since the beginning of the 1970's, particularly in the last few years, remarkable achievements have been made in family planning both in cities and in the countryside. Cadres at various levels, particularly the comrades in women's organizations at all levels, and public health, family planning and other departments who have directly participated in this work, have done a great deal. We must fully affirm their achievements. However, we must also see that in some places, for more reasons than one, there are instances of compulsion and even violations of law and discipline in this work. This must be resolutely corrected. The State Council declares to the people of the whole country: In the interests of the people of the whole country themselves, family planning work must continue. It is necessary to continue to encourage every couple to have only one child. Party and CYL members and cadres should resolutely take the lead. The policies and measures for carrying out the task must be suitable. Full use must be made of persuasion and education, and safety of birth control techniques must be guaranteed. We hope that, through patient propaganda and education, the people, particularly the young people, will recognize the interests of the whole nation and warmly respond to this important call.

The mass line is the essential method by which to map out the long-term program. It is imperative to unite those at higher levels with those at lower levels and extensively mobilize government departments at all levels, all enterprises and institutions, the masses of workers and peasants and specialists in all fields to take part in this work. The socialist economy as well as each big enterprise and project are all entities composed of various elements. The interrelations between these elements and the advantages or disadvantages and gains or losses that may result from these relations are very complicated and have far-reaching effects, and for the most part cannot be seen at a glance but must be figured out through precise calculations and scientific predictions. Therefore, decisions on major projects and programs, the formulation of yearly plans and particularly the drawing up of long-term plans must be made through discussions by relevant departments according to legal procedures following repeated investigations, surveys, calculations, studies, discussions, debates and comparisons by many specialists. They must not be made in a hurry. Mistakes and losses are unavoidable, but efforts must be made to avoid them as much as possible. To bring into full play the role of specialists in all fields in mapping out the 10-year plan outline, we invited specialists in all fields, including economists, technical economists, technological experts and natural scientists, to attend the long-term planning forum held in March and April this year. We should continue to do this in the future.

## II. CONTINUED ECONOMIC MANAGEMENT REFORM

The existing management systems in our national economy, including financial and monetary systems, labor and wage systems, the price system, systems of goods and materials control and many others, were to a large extent copied from foreign countries when we had very little experience. Some were inherited from practices prevailing under special historical conditions in the period of revolutionary wars.

The systems have never undergone the necessary reforms that would take into consideration the specific conditions of our country's developing socialist construction and the scientific and democratic principles of socialism and, therefore, are encountering more and more problems. The shortcomings and defects of our economic management systems show themselves mainly in the overconcentration of power, in excessive and rigid control, in the denial of necessary independence for socialist enterprises in their operations, in improper use of government authority (both central and local) to make direct decisions and in interference by administrative means, and in no separation of the party from the government and of the government from the enterprises in the work of management, which make it impossible for the enterprise to establish a system of independent production command and management. Over a long period of time, we advocated and upheld, instead of reforming, some methods that restricted or even sabotaged the development of productive forces and regarded them as socialist principles. At the same time, we denied the independence and rights which trade union organizations are entitled to have. As a result, the enterprises (including those in industry, communications, commerce, service industry, state-run agriculture and collectively-owned agriculture, which consists of most of the population), have lacked the intrinsic motivation to expand production and improve operations. The enthusiasm, initiative and creativity of the workers have been dampened. The superiority of the socialist system has not been given full play. We neglected the education of cadres, workers and staff members in production technology and management and failed to put talented people with professional knowledge in important positions. Consequently, nonprofessionals have led professionals for a long time. Arbitrary and impractical directions have often been given. And, it has been difficult to raise technical and management levels. In the 10 years of turmoil, Lin Biao and the "gang of four" virtually destroyed all the effective systems and policies we had formulated based on our many years of experience. The left-deviationist line they peddled in economic work and the whole set of policies and methods related to the line threw our country's already problem-stricken economic system into great chaos. Although important improvements have been made in the whole economic situation through consolidation over the past 3-odd years, there are still many problems. In short, the shortcomings and defects of our economic management systems seriously impede the progress of the four modernizations and must be eliminated by thorough-going reform.

Our general orientation for the structural reform of economic management is to transform the overcentralized system of management by the state (both central and local authorities) and to expand the decisionmaking power of enterprises and the power of their workers and staff members to participate in management, to transform unitary regulation by planning into regulation by planning combined with regulation by the market, and to transform management relying mainly on administrative organs and methods into management relying mainly on economic agencies as well as on economic and legal methods. The reform that has been going on for the past year is only a small first step in this direction. From now on, we must protect, improve and perfect the reforms on the basis of initial achievements made in this regard. However, it must be pointed out that structural reform is a complex task which involves work in many fields. Therefore, it is necessary to give careful consideration and make thorough preparations. We must map out an overall plan for reform and implement it prudently and step by step after a trial period.

Fundamentally speaking, reforming the economic system is for the purpose of bringing into full play the superiority of the socialist system. Naturally in the course of the reform, new problems unavoidably will crop up. We should make investigations, studies and serious efforts to solve the problems in good time, but we must not panic, even stop or retreat on the road toward economic reform because of these problems.

Government personnel at all levels, leading personnel in particular, must further emancipate their minds and, working together enthusiastically with the masses of the people and on the basis of investigations and studies and pooling the wisdom of the masses, courageously blaze new trails while acting with caution, continue to push forward the reform of the economic system and bring about a new situation in which the socialist modernization develops vigorously. This kind of reform serves to increase the efficiency of economic work, to speed up modernization, to consolidate and perfect the socialist system and, in the final analysis, to improve the people's living standards. Therefore, we believe that this reform will surely receive the support of the people of the whole country.

## III. OVERCOME BUREAUCRACY AND IMPROVE GOVERNMENT WORK

While restructuring the economic system, we must strive to improve the work of the government at all levels. At present, widespread bureaucracy in government organizations at all levels presents a very serious problem. To a very large extent this phenomenon is interrelated with the irrational economic system, each being both the cause and effect of the other. Restructuring the economic management system will eliminate a large part of the bureaucratic phenomenon, but bureaucracy will hinder the restructuring of the economic system and even continue to cause problems in a new economic system. Therefore, elimination of bureaucracy must go hand in hand with restructuring the economic system. Bureaucracy has not only impeded economic reform and the progress of the four modernizations program but has hampered all kinds of work and has long aroused strong popular discontent. Unless we eliminate all kinds of bureaucratic practices in the system, it is impossible for our government at all levels to establish an efficient and respected working system, impossible to bring into full play the enthusiasm of government personnel and the broad masses and impossible to bring into full play the superiority of the socialist system. Therefore, I would like to say a little more about how to effectively overcome bureaucracy.

Bureaucracy is an old social phenomenon with a long history. There are many similarities as well as essential differences between bureaucracy in present-day China and that in the old society. Bureaucracy in the old society served the ruling class by exploiting and oppressing the working people, and it could not possibly be eliminated in the old society. Bureaucracy in real life today makes it difficult to bring into play the superiority of socialism and runs against the interests of the socialist system. It must be and can be overcome by socialism. In addition to, and more important than, the bad habits left over from the old society, the social causes that have created and abetted the new bureaucratic phenomenon in our government organizations today are that our socialist system itself is still far from perfect and that our understanding of the laws governing the development of socialism is still very immature. Although we have in the past made repeated efforts to combat bureaucratic phenomenon, little has been accomplished. Why? It is mainly because in the past we placed the main stress only on ideological education, seeing only the aspect of bureaucracy that was left over from the old society, and failed to look for causes for the generation of bureaucracy and ways to overcome it in our present systems. In fact, under the present far-from-perfect socialist system, our government organizations improperly control by administrative means almost all aspects of social life and shoulder arduous and complicated tasks never attempted before in history. This unreasonable state of affairs is where the crux of the matter lies. Unless this state of affairs is changed, not only is it impossible for us to concentrate our efforts on eliminating the old forms of bureaucracy but it is unavoidable that bureaucracy will be created under the new conditions. Here I do not plan to say more about the old forms of bad bureaucratic habits and about all kinds of bad bureaucratic work styles in dealing with the masses to which we ordinarily refer. I want to say something emphatically about the serious defects and faults that exist in the present administrative system of our country that engender bureaucracy. These defects and faults are mainly as follows:

1. Overconcentration of power. The individual enterprises and production units do not have the reasonable power to independently carryout economic activities. Many important powers are concentrated in the multileveled administrative organizations above these enterprises and production units. This often leads to this phenomenon: The farther these organizations are separated from productive activities, the greater their powers became, and the more organizations there are, the more difficult the work becomes. The situation--in which the powers of enterprises and production units are improperly concentrated in government departments, local powers are improperly concentrated in the central level, and the powers of government departments are improperly concentrated in party committeees--is more and more seriously impeding the effective development of socialist construction. The situation in fields of work other than economics is generally the same.

To be sure, in a socialist country such as ours, especially in its developing stages, a certain degree of concentration in management work is essential. Of course, the practice of necessary centralized control in accordance with the national economic development plan and the coordination of the interests of all sectors of society by the unified leadership of the administration and the party are important manifestations of the superiority of the socialist system. However, when power is overconcentrated, the outcome will be the opposite. We have all encountered this situation: Those at the lower levels who understand the actual situation are often not in a position to make the decisions they should make. On the other hand those at the higher levels who do not quite understand the actual situation often have to make decisions before they have the time to understand the necessary conditions. This not only reduces work efficiency and dampens the enthusiasm of those working at lower levels but it lowers the leading standard of those working at higher levels. Thus, mistakes in their work become inevitable. They are excessively entangled in trivial and routine details from which they should free themselves, and they do not have sufficient time to investigate, study and carefully consider major problems in finding proper solutions. Because those at the higher levels are far removed from the complexities of the actual situation, more often than not they tend to oversimplify matters, think in absolute terms and handle diverse problems with a single solution when handling concrete problems at lower levels. Many new bureaucratic practices in real life today are caused by this important factor.

2. Confusion regarding the limits of power and responsibility. From the State Council down to local governments at various levels, no systematic and practical administrative rules and regulations have been formulated. There are no clear definitions or concrete stipulations on the scope of work, the limits of power and the rules of work for different departments, localities, units and individuals. As a result, various departments and units often have no rules to follow and are not clear about their duties and responsibilities. Furthermore, when there are no precedents to follow, they have no alternative but to report to the higher authorities, seek instructions and pass reports from one echelon to another. The result is an odyssey of official papers, a deluge of reports and meetings, disputes over trivial matters and a dilatory work style.

3. The incompatibility of the cadre system with the requirements of the period of socialist construction. At all levels of the government, there is no sound system for selecting, appointing, assessing and training cadres. Also, there is no system for weeding out incompetents, meting out rewards or disciplinary sanctions and so forth. The various departments and units seldom recruit cadres strictly through advertisement or examination. This would ensure they are used in a way commensurate with their abilities. Instead, they are generally appointed by the organization and personnel departments. The formation of this system has its historical reasons, and it has played a positive role.

However, this system is now becoming more and more inadequate in meeting the tasks of modernization. There is no practical plan for training cadres, and the training is often out of keeping with the requirements of the work. There is no regular and strict assessment of cadres' work performance and no rewards or penalties given accordingly. It makes no difference whether one does his work well or poorly, or whether one is qualified for the job or not. Once a person becomes a cadre, he has a lifelong job, an "iron rice bowl." Even if he proves really incompetent or does not apply himself to his work, he remains a cadre unless he is dismissed from public office. Indeed, this system can prevent some people from becoming unemployed and can maintain a stable life for them but the price is too high. If this state of affairs is not thoroughly reformed, how can we realize modernization?

4. Overstaffing, overlapping, proliferation of deputies and nominal posts and low job efficiency. The aforesaid three conditions--overconcentration of power, confusion of work and responsibilities, and the unsuitable cadre system inevitably cause overstaffing. In return overstaffing inevitably causes the further growth of many bureaucratic maladies. Our administrative organizations often overlap, and the number of permanent and temporary organizations and government personnel is now larger than at any time in history. This explains the seriousness of the problem. Now is the time when we must seriously study the problem and find solutions.

I must stress here that most of our administrative organizations have indeed done a great deal of work which is indispensable for the cause of socialist construction, and all our accomplishments cannot be separated from their efforts. Even in the future we must have powerful state organs and an authoritative government, and a government certainly cannot dispense with all sorts of necessary administrative work, which is done basically to serve the people.

I also want to stress that the majority of our personnel are willing to bear the burden of office and work selflessly for the public interest. Also, many people are professionally knowledgeable and have practical experience, and they often make on-the-spot study and are good at maintaining close ties with the masses. Criticizing bureaucracy in our work, our principal task should be to study the cause of bureaucracy and improve our work system.

A bad system often keeps many of our local and devoted personnel from exerting their efforts, or makes them do a lot of work which produces very little effect. This responsibility, of course, does not rest on them. There are indeed some personnel whose ideology and work style are bad but changing these people's malpractices is often ineffective without the system. To combat bureaucracy, the key lies first in earnestly reforming the irrational phenomena in the state administrative system, the work system of organizations, the cadre system and the structure of organs. The specific measures are:

1. The power of enterprises and undertakings should be transferred to the lower levels. Under the centralized leadership of the state, enterprises and undertakings should have the necessary power to make independent decisions on management and operations. This experiment, which has been carried out in some enterprises since last year with good results, will be popularized step by step in the future and enterprises' power to make independent decisions will be expanded. So far, it has only been carried out in a few selected undertakings. Their experiences will be summed up and popularized steadily.

Once the enterprises and undertakings have more power to make their own decisions, the work of many administrative departments can be reduced. Some of these departments may be transformed into enterprises or undertakings; other may be merged. Thus the administrative organs can be greatly simplified and the foundation of bureaucracy will be reduced immensely.

Of course, the power to make independent decisions cannot be given only to those who are in charge of enterprises and undertakings; it should also be given to the proper democratic management and supervision organs which can truly represent the broad masses of workers. The transfer of power must be linked with democratic management. All enterprises and undertakings should establish congresses or conferences of their workers and staff, and these congresses or conferences have the right to discuss and decide important matters concerning their units and to elect their leading administrative personnel or make recommendations for their appointment to and removal from office. In daily work all matters affecting the vital interests of the workers and staff must be handled with the consent and cooperation of the trade unions.

The transfer of power should by no means weaken the necessary centralized management, but as far as enterprises are concerned, such centralized management should be economic management and not the kind using principally administrative means as in the past. While carrying out democratic management within an enterprise, it is doubtless that the necessary centralized management and command are essential for production and technical and economic aspects. In principle, this also applies to various undertakings.

2. The functions and duties of each administrative organ and its subordinate units and individuals should be clearly defined by administrative statutes. This task must be carried out in two respects simultaneously: 1) All departments and units mobilize the masses to formulate various kinds of regulations and rules and work out the details stipulating the work of various posts so that everybody knows his responsibility and what should be taken care of by whom. In case there are surplus personnel, they can leave their job temporarily for training or they can be reassigned. Some units are already doing this, and this practice has been proven to be quite effective; 2) the State Council as well as the local governments at all levels should organize special forces to formulate systematic administrative laws and regulations in order to explicitly define the limits of functions and powers of various departments and units and the principles of exercising these functions and powers as well as measures for handling certain special problems. With such laws and regulations, the number of reports requesting instructions will be greatly reduced. Many things can be resolved by various departments and units independently according to the limits of their functions and powers and work principles. After the functions and powers are specified for each unit and person, a rigorous checking system should be established so that there can be both rewards and disciplinary measures. Those who seriously neglect their duties should be dealt with according to law.

3. Efforts should be made to improve the cadre system. We must, on the basis of conscientiously summing up historical experience and conducting penetrating investigation and study, work out a concrete and feasible system for appointment, reassignment, retirement, dismissal and so on, for all cadres at all levels and in all categories. As ours is a socialist country, we must do all we can to give all the working personnel the necessary protection regarding their livelihood and make proper arrangements for them upon their retirement and dismissal.

4. We must establish and perfect a system of inspection and supervision. Implementation of the above-mentioned three measures will correct the overconcentration of power, the confusion regarding the limits of power and responsibility and the inadequate cadre system as well as the overstaffing. This will greatly curb bureaucracy. However, since bureaucracy is a historical phenomenon, our struggle against it has to be protracted and tenacious.

Rigid checks and supervision should be constantly conducted. At present, the forms, channels and systems of the work and staff of the governments at various levels for checking and supervising the government staff at various levels are far from perfect, and it is very difficult and uncommon for the people to actually exercise their power of supervision. This situation must be changed. In order to check and supervise the work of the governments and their staff at various levels and in order for party organizations and committees to supervise inspection of discipline at all levels, letters and visits from the masses should be seriously handled. Furthermore, exposure and criticism in newspapers and magazines should be adequately supported. Checks by the people's deputies and governments at higher levels and exposure reports from governments at lower levels all have a powerful influence and should be extensively encouraged. Some government organizations have done so. Some have experimented with letting the masses recommend and appraise cadres with good results. These methods may be popularized. In short, governments at all levels must continue to pool the wisdom of the masses and strive to create more methods of supervision which are both more effective and easier to follow. This will facilitate, in accordance with the people's will, timely praise, reward and promotion of cadres who have made outstanding contributions to the cause of socialism. At the same time, it will facilitate the exposure and correction of faults and errors of cadres as well as replacement and recall of bureaucrats who are guilty of serious dereliction of duty.

I must make it clear here that what I have just said about the causes of engendering bureaucracy and the methods to overcome it are not exhaustive. Moreover, some of the above-mentioned methods can be applied relatively sooner, while a rather larger part of them cannot be applied so readily. This makes it necessary to conduct rather complete and thorough reforms of our working and organization systems. Therefore, it is necessary to make certain preparations. However since we are determined to realize modernization, we have to make up our mind to carry out reforms. Otherwise, our modernization program will inevitably be hampered by these irrational systems. Of course, the vestiges of the bureaucratic practice of the old society have something to do with the level of development of the social production forces and the educational and cultural levels of the people and cadres. As a result, thorough elimination of all bureaucratic practices is a protracted and arduous task. However, the major bureaucratic and other maladies can surely be overcome provided that governments at all levels recognize the dangers of bureaucracy and pay the greatest attention to the four key problems--reform of the system of state management, reform of the working system of the administrative organs at all levels, reform of the cadre system and the strengthening of the system of checks and supervision of cadres. These problems must be solved step by step in a planned way and training and education work must be strengthened. Bureaucracy is by no means an incurable disease of socialism. Socialism will certainly become a system full of vitality. At least we must make it so and will certainly be able to do so in China. The basic theory of Marxism inherently requires this. For our part, we have the longstanding revolutionary tradition of the mass line and we can rely on the broadest masses of people. This will surely enable us to achieve the goal of eliminating bureaucracy. With the power effectively and reliably delegated to the grassroots units and to the masses--the power that should be delegated to them--they surely will be able to help and supervise our government in carrying out necessary reforms to enable it to adapt to the needs of modernization until it becomes a modern socialist government. The masses will also enable it to become the most streamlined, responsible and efficient government maintaining the closest links with the masses in history.

## IV. STRENGTHENING SOCIALIST DEMOCRACY AND THE SOCIALIST LEGAL SYSTEM

An indispensable political prerequisite for the smooth progress of socialist modernization is to make further efforts to establish and strengthen the democratic system and perfect the socialist legal system so the people can effectively exercise their rights to manage political, economic and other social affairs and so any illegal activities obstructing and damaging the cause of socialism can be quickly and effectively punished.

We should effect structural reform on economic management, improve the situation of overconcentration of power, change the situation of making no distinction between party and government and between government and enterprises, grant more power to the localities and grassroots units, shift power to enterprises and institutions, expand the necessary decisionmaking power of enterprises and institutions in independent management and operation, perfect such democratic management and supervision agencies as staffers and workers congresses and trade unions and strengthen democratic management and supervision of enterprises and institutions; we should develop and protect the regional autonomy and other democratic rights of the minority nationalities; we should oppose bureaucracy, improve government leadership, and strengthen mass inspection and supervision over the work of government organs and their personnel; we should abolish the system of permitting leading cadres to hold lifetime jobs, strengthen collective leadership in leading organs at all levels, and oppose arbitrary decisions by individuals. All these are important steps and measures for further developing socialist democracy.

In order to systematize and legalize socialist democracy, we need to make continued and great efforts. Revising the Constitution is the most important of these tasks. The Constitution is our country's fundamental charter, on which all our government functions are based. The First Session of the Fifth NPC had made some amendments to the Constitution, but we did not have enough time to comprehensively sum up the experience and lessons gained since the founding of the PRC, nor did we have enough time to evaluate and eliminate the influence exerted by certain ultraleftist thinking on the Constitution during the 10 chaotic years. As a result, the Constitution contains quite a number of provisions that are not appropriate. Moreover, many provisions of this fundamental charter are not free of flaws, nor are they as well-defined as they should be. For this reason, the CCP Central Committee has proposed that the current session consider and begin an overall revision of the Constitution to more fully reflect the interests and aspirations of the people of all nationalities throughout the country in the new historical period of development and to better meet the demands of socialist modernization and state democratization.

The rule of law in the country is required not only for consolidating and developing the stability and unity of our country but also for ensuring the smooth progress of modernization. This calls for continued strengthening of legislative and judicial work. We should, first of all, formulate laws that are much more complete than what we have now, and in particular, we should devote much of our energy to legislation concerning economic affairs. For this reason, it is proposed that the NPC Standing Committee call on specialists to successively draw up such important laws as a civil code, a law of civil procedures, a law of regional national autonomy, a planning law, a factory law, a labor law, a contract law, and an energy law. The State Council shall also take an active part in drafting relevant laws and continuously formulate and promulgate various statutes and regulations, particularly administrative regulations governing the terms of reference and duties of different organizations and those for reforming their employment system. According to the principles laid down by law, the provincial, municipal and autonomous regional people's congresses and their Standing Committee should also work out and promulgate various local statutes and regulations. Only in this way can our cadres and other citizens have laws and regulations to abide by in every field of work.

Governments at all levels should firmly ensure the enforcement of all the laws, statutes and ordinances already promulgated. Based on the provisions of the election law, direct elections of the county-level people's deputies and the choosing of county leaders by directly elected county-level people's deputies are going on throughout the country. This is a major event of far-reaching significance in the political life of the Chinese people and it marks the further extension of the Chinese people's democratic system. Governments at all levels must do this work well.

Our cadres and senior cadres in particular must set an example in observing discipline and abiding by law and must never think that they can flout laws or discipline because of their authority or past meritorious services. Comrades, by so doing they would make serious mistakes! The greater the authority and meritorious services of our cadres, the greater their political and moral obligation to set an example for the people, their subordinates, their children and posterity and lead the entire people in creating an entire generation imbued with revolutionary spirit. Comrades, we must resolutely eliminate bureaucratic practices and privileges and foster a revolutionary spirit of serving the people wholeheartedly. This is our sacred mission toward the people and the younger generation. People who only pursue their own interests or those of their children, relatives and friends at the expense of the interests of the state and people will eventually be punished by law and discipline. Our cadres must wage a resolute struggle against the evil practice of tailoring the law to suit one's selfish ends and against bureaucrats shielding one another in wrongdoing. Under all circumstances, we must keep to the principle that "all are equal before the law," and there must never be any "special citizens" who can violate state laws or discipline with impunity. We must see to it that the public security organs, the people's procuratorates and the people's courts exercise their respective authority independently, allowing no illegal interference whatsoever by any administrative institutions, mass organizations, or individuals. Only by so doing can we guard the sanctity of socialist legality and make it a truly powerful weapon in the defense of socialist democracy.

In order to carry out reforms correctly and effectively in our existing economic and political systems and in other areas, we must strengthen ideological and political work. We must also strengthen education on revolutionary traditions, on socialist morality, on the socialist legal system and on attitudes toward communist labor among cadres and masses at all levels. In this way, we will help them combat the influence of the residual feudalist ideology and the influence of the bourgeois, petty bourgeois and all kinds of nonproletarian ideologies. We must also realize that, following the increase of international exchange, the corrosion of some people by the bourgeois ideology of foreign countries has already appeared along with the shameful behavior of worshipping and having blind faith in foreign things and losing one's national dignity. This is what we must guard against and oppose. Eliminating the influence of the ideologies of the exploiting classes and other nonproletarian classes is an essential and important task not only for the time being but for a considerably long time to come in developing our socialist democracy.

## V. REALIZING THE GOAL OF HAVING YOUNGER, KNOWLEDGEABLE AND PROFESSIONAL GOVERNMENT LEADERS AT ALL LEVELS

Following the shift of emphasis from work in the country, it has become increasingly evident that the advanced age and lack of professional knowledge of many government leaders at various levels have made them unequal to the task of the four modernizations. Now the party's work is to be separated from the government's, and the responsible personnel of government at all levels and of various enterprises and establishments must directly shoulder the heavy burden of organizing the people to engage in the work of modernization. The smooth progress of the four modernizations will be severely affected if the present composition of the various leading bodies is not changed by promoting a large number of professionally competent cadres who uphold the four basic principles and who are in the prime of life to various leading posts. Therefore, under the prerequisite of upholding the four basic principles, the selection and promotion to leading posts of a large number of young, knowledgeable and professionally competent cadres has a direct bearing on the continuity and stability of the government's correct leadership and on the success or failure of the modernization program.

Since the beginning of last year, the CCP Central Committee has repeatedly emphasized that resolute measures must be taken to select and promote a large number of cadres who firmly adhere to the party's line, who are professionally knowledgeable and capable and who are in the prime of their lives.

In this way, we can replenish and reinforce the leading groups of party committees at various levels. These guidelines also apply to governments at all levels. Over the country as a whole, this task of strategic significance has been going on at a rather slow pace. Now it is time we solve this problem.

The three criteria put forward by the party Central Committee for selecting and promoting middle-aged and young cadres are not complex. As long as we emancipate our minds and take the mass line, it will not be difficult to select and promote the middle-aged and young cadres who meet these three criteria.

Over the past 30 years, we have trained more than 3 million college graduates and 5 million graduates from secondary technical schools. In addition, there are many middle-aged and young cadres, who were formerly workers and peasants, who have raised their scientific and educational levels and acquired professional knowledge through tests in the protracted and complicated practice of revolution and construction. Many qualified people are there to be found. The trouble is that some people rarely try to find them. Many capable people have been placed in posts where, unable to use their specialized knowledge, they have long had a sense of frustration. Yet the leaders of their departments have paid little heed to their situation. What a great loss to the state! This shows how important it is to do away with the longstanding leftist contempt for knowledge and intellectuals. Forty years ago, Comrade Mao Zedong said with regard to selecting cadres for economic work: "Discard this mistaken view and you will see cadres all around you." This remark is really well said and it is still true today.

Our old cadres have an especially important duty to select and train middle-aged and young cadres. Braving untold dangers and working under very difficult conditions in the course of protracted revolutionary struggle and construction, our many old cadres have made tremendous contributions. They are the precious assets of our party and state and rightfully deserve the people's respect and love. By younger leadership, we mean increasing the number of younger people and gradually forming a majority of them in leadership. We do not mean replacing all the old people in their leading posts. Also, the age requirements for leading cadres at different levels should vary. Old cadres who can continue to work are still our backbone leading cadres. However, some of the old cadres are after all physically weak and less than vigorous.

Nobody can escape natural laws. It is correct to ask the old comrades to be our chiefs of staff and advisers; it would be difficult to demand them to shoulder heavy burdens of duty on the first line as they did in the old days. Therefore, we should earnestly make good arrangements for a large number of old and physically weak comrades who have contributed to the state and people to move to the second or third line and maintain intact the political treatment and treatment in living conditions they now enjoy so that they may continue to contribute to the people in their lifetime. Our old cadres have rich experience in discovering, selecting and training people of great promise. A supremely glorious heavy duty assigned to our old cadres by history is to enthusiastically discover and select fine middle-aged and young cadres, voluntarily and willingly vacate their posts for younger comrades in their prime of life and encourage and support these young comrades to boldly carry out their work. This is also the best and most valuable contribution our old comrades can make toward the four modernizations. It is our firm belief that our old cadres will never fail to live up to the expectations of the people of the whole country!

In order that the large numbers of the government staff and the cadres of all trades and services may acquire and improve the general and professional knowledge necessary for the four modernizations, we should prepare for them necessary study facilities, including regular professional schools and other study methods such as fulltime or on-the-job study. In this respect, we have both positive and negative experiences and lessons. Shortly after the founding of the PRC, we adopted many forms to train the worker-peasant-soldier cadres to improve their general and professional knowledge. Very good results were achieved. Unfortunately, this tremendously significant task was later abandoned.

Now we should resume and expand this task so that all the worker-peasant-soldier cadres who still can pursue studies may painstakingly learn all professional knowledge through all possible channels to suit the needs of the four modernizations. Leading persons and the great numbers of cadres of governments at all levels must assiduously study in an indomitable and enterprising spirit. We believe that more and more of these comrades will become specialists both Red and expert in various fields!

Comrade Mao Zedong said in his report at the Second Plenary Session of the Seventh Central Committee: "If we do not know production and do not master it quickly, if we cannot restore and develop production as speedily as possible and achieve solid successes so that the livelihood of the workers, first of all, and that of the people in general is improved, we will be unable to maintain our political power, we will be unable to stand on our feet, we shall fail." After winning nationwide victory, we splendidly accomplished this task. Today, under the new circumstances, and to realize the four modernizations, we again are faced with a similar task. We must accomplish this task. We surely will accomplish it.

Deputies! The people of the whole country are deeply concerned over the problems just mentioned above. They are the new problems under the new conditions. So far our understanding of these problems is very superficial. Now will all deputies please discuss them together so that a common and correct understanding may be reached. I should say that these problems are just being pointed out and that extremely arduous efforts are needed to solve them. After this session, the State Council and local governments of various levels should take effective steps to make investigation and study, and, proceeding from reality, propose feasible and concrete principles, policies and measures. The priority work of governments at all levels is to enforce reforms, eliminate bureaucracy and truly become state administrative organs leading the four modernizations and serving the people.

Entrusted by the CCP Central Committee, I hereby make an explanation to the changes of the members of the State Council.

In order to strengthen and improve the party's leadership to meet the needs of socialist modernization, a number of important measures were proposed at the 5th Plenary Session of the 11th CCP Central Committee held not long ago. One of them is to place in leading posts at all levels those people who unswervingly carry out the party's line, who are capable of using their initiative and are in the prime of life. Another measure is to strengthen the collective leadership and put an end to the practice of providing lifelong posts for leading cadres. The basic spirit underlying these measures is applicable to the strengthening and improvement of government leadership. The CCP Central Committee, learning from history, decided that, as a rule, the first secretary of a party committee should not concurrently be provincial governor, or chairman of an autonomous region or head of an autonomous prefecture, or of a county or city. This was aimed at preventing overconcentration of power and the holding of too many posts concurrently by one person and at effectively and clearly separating party work from government work. Thus, such comrades would be able to concentrate their time and energy on solving the party's major problems while all levels of government under the State Council would have a complete and efficient administrative system from top to bottom. In line with this principle, I proposed to the party Central Committee and the party Central Committee decided that I cease concurrently holding the premiership of the State Council. The party Central Committee simultaneously decided that the five veteran comrades of the party including Comrades Deng Xiaoping, Li Xiannian, Chen Yun, Xu Xiangqian and Wang Zhen should no longer concurrently hold vice premierships of the State Council and that Comrade Wang Renzhong should also cease holding the vice premiership of the State Council because of his taking up an important post in the party. The congress is hereby asked to consider and decide on all these proposals. Furthermore, Comrade Chen Yonggui asked to be relieved of his spot as vice premier, and the party Central Committee agreed to this. The congress is also asked to consider and decide on this matter.

After careful consideration, the CCP Central Committee decided to propose to the NPC that Zhao Ziyang be appointed premier of the State Council. The party Central Committee believes that Zhao Ziyang is a suitable choice and worthy of trust. The congress is requested to consider and decide on this matter.

The changes in leading members of the State Council constitute an excellent beginning to the transformation of the system of leadership of our government. It is our belief that the current changes will surely help to strengthen and improve government leadership, raise the quality and efficiency of its work and hasten the progress of modernization.

Fellow deputies! China needs a lasting peaceful international environment to carry out its modernization program. Opposing hegemony and safeguarding world peace is not only in line with the Chinese people's interests but also in keeping with the interests of the people throughout the world. Soviet hegemonists have sent their troops to occupy Afghanistan and they supported Vietnam in its continued invasion and occupation of Kampuchea. This not only directly endangers the peace and security of the Persian Gulf, the Middle East and Southeast Asia but also threatens the peace and security of the whole world. The Chinese Government and people resolutely support the just struggle of the Kampuchean and Afghan peoples against aggression and will, as in the past, resolutely join the people throughout the world to tirelessly work for opposing hegemony and safeguarding world peace.

The Chinese PLA is a strong pillar of the dictatorship of the proletariat and a loyal defender of the socialist motherland and its modernization program. It is also an important force for safeguarding the peaceful cause of the world. In the coming years, it will be impossible to sharply increase our defense spendings, but our national defense must nevertheless be strengthened. The PLA should continue to strengthen military and political training and cadre training, step up political and ideological work, intensify all kinds of preparations against aggression, carry forward its fine traditions and consolidate and enhance its combat strength. It is necessary to continuously do a good job in militia training and all kinds of work concerning supporting the army and giving preferential treatment to army dependents. Representatives of the people in all walks of life, governments at all levels and people of all nationalities should show concern for and love their own army and actively support and help the PLA to accomplish all its tasks. We must make concerted efforts to build our army into a great iron wall.

We will work energetically for the return of Taiwan to the motherland, fulfilling our lofty aim of reunifying our homeland at an early date. The "Message to Compatriots on Taiwan" issued by the NPC Standing Committee on New Year's day 1979 has had an increasing influence on the people there, from the top to the grassroots, and on the overseas compatriots and people in other countries. Patriots on Taiwan and overseas compatriots the world over have made enthusiastic efforts for the reunification of China over the past year and more. Compatriots on both sides of the straits, in particular, desire to establish regular links between the mainland and Taiwan in postal service, sea and air transport and trade at an early date. We are convinced that the historical trend of reunification of the motherland is irrevocable, and that this sacred goal will surely be attained.

There is but one China in this world, and Taiwan is a province of China and inseparable from it. This is the immutable position consistently held by the Chinese Government and people and is also a basic principle governing the establishment of diplomatic relations between China and all other countries.

Any argument for "two Chinas' or "one China, one Taiwan" is bound to be opposed unanimously by the Chinese Government and all Overseas Chinese compatriots.

Comrades! Friends! The situation after the smashing of the "gang of four" proves that the future of our country and people is bright, and this fact is more obvious today. The most important reason why we can achieve victory is because all patriotic fellow countrymen throughout the country have rallied together under the leadership of the CCP Central Committee's correct line. The unity of our great Chinese PLA, the people of the whole country and the people's governments in all localities has been, and always will be, the most reliable guarantee for the victory of our revolutionary cause. All nationalities of our country will forever rally together as one big family of our great motherland. No forces whatsoever can undermine our lofty fraternal bond which has gone through protracted tests.

Over the past few years, our various democratic parties and nonparty democratic personages have made new important contributions to the prosperity of our motherland, and they will continue to play an important role in the four modernizations in the future. The slogan "long-range coexistence and mutual supervision" put forward by Comrade Mao Zedong will forever be the CCP's standard in handling its relations with all democratic parties. The patriotic religious leaders have made precious efforts in leading the followers of all religions of the country to defend religious freedom on a patriotic footing. As the cause of our motherland advances victoriously, we must exert still greater efforts to consolidate and develop the united front of all our socialist workers, patriots who support socialism and patriots who support the unification of our motherland.

We will rally still more closely around the CCP and the people's government, hold high the revolutionary banner of Marxism-Leninism-Mao Zedong Thought and unswervingly carry out the lines, principles and policies of our party and state. Let us join hands and make concerted efforts to win great victories in our cause of socialist modernization!